

# KAMIESBERG

## MUNICIPALITY



## FINANCIAL STATEMENTS

30 JUNE 2018

# KAMIESBERG MUNICIPALITY

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# KAMIESBERG MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Kamiesberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) Grade 2 as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Kamiesberg Municipality includes the following areas of Garies, Hondeklipbaai, Kamassies, Kheis, Kharkams, Kamieskroon, Klipfontein, Koiingnaas, Leliefontein, Lepelsfontein, Nourivier, Paulshoek, Rooifontein, Soebatsfontein, Spoegrivier and Tweerivier.

#### MUNICIPAL MANAGER

RC Beukes

#### CHIEF FINANCIAL OFFICER

R Cloete (Acting)

#### REGISTERED OFFICE

Private Bag X200  
Garies  
8220

#### AUDITORS

Auditor-General  
Private Bag X5013  
KIMBERLEY  
8300

#### PRINCIPLE BANKERS

First National Bank

#### ATTORNEYS

Schreuders

# KAMIESBERG MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### GENERAL INFORMATION

#### RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)  
Collective Agreements  
Division of Revenue Act  
Electricity Act (Act no 41 of 1987)  
Employment Equity Act (Act no 55 of 1998)  
Housing Act (Act no 107 of 1997)  
Infrastructure Grants  
Municipal Budget and Reporting Regulations  
Municipal Finance Management Act (Act no 56 of 2003)  
Municipal Planning and Performance Management Regulations  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Regulations on Standard Chart of Accounts  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
SALBC Leave Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Supply Chain Management Regulations, 2005  
The Income Tax Act  
Unemployment Insurance Act (Act no 30 of 1966)  
Value Added Tax Act  
Water Services Act (Act no 108 of 1997)

#### MEMBERS OF THE KAMIESBERG MUNICIPALITY

##### WARD

1  
2  
3  
4  
Proportional  
Proportional  
Proportional  
Proportional

##### COUNCILLOR

LE Petersen  
MC Rooi  
SC Nero  
MJ Cloete  
PJ Willems  
CC Kordom  
H Steenkamp  
RO Adams

# KAMIESBERG MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 5 to 99 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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RC Beukes  
**Municipal Manager**

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**Date**

# KAMIESBERG MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>199 270 718</b>	<b>215 041 763</b>
Property, Plant and Equipment	2	175 415 392	191 176 608
Investment Property	4	23 752 100	23 752 100
Intangible Assets	5	97 826	107 655
Heritage Assets	6	5 400	5 400
<b>Current Assets</b>		<b>19 869 526</b>	<b>22 880 665</b>
Inventory	7	2 136 748	2 084 054
Receivables from Exchange Transactions	8	5 103 017	6 799 652
Receivables from Non-exchange Transactions	9	2 204 859	4 853 271
Taxes	18.3	3 572 094	1 160 615
Cash and Cash Equivalents	10.1	6 852 807	7 983 074
<b>Total Assets</b>		<b>219 140 243</b>	<b>237 922 428</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>		<b>17 994 010</b>	<b>18 494 864</b>
Long-term Borrowings	11	1 004 712	1 924 320
Non-current Provisions	12	13 885 880	13 312 363
Non-current Employee Benefits	13	3 103 418	3 258 180
<b>Current Liabilities</b>		<b>37 580 002</b>	<b>34 897 521</b>
Consumer Deposits	14	1 491 918	1 469 914
Current Employee Benefits	15	2 114 481	1 917 231
Trade and Other Payables from Exchange Transactions	16	27 295 708	25 624 818
Unspent Transfers and Subsidies	17	5 757 864	5 054 377
Current Portion of Long-term Borrowings	11	920 030	831 181
<b>Total Liabilities</b>		<b>55 574 012</b>	<b>53 392 384</b>
<b>Net Assets</b>		<b>163 566 231</b>	<b>184 530 044</b>
Accumulated Surplus/(Deficit)		163 566 231	184 530 044
<b>Total Net Assets and Liabilities</b>		<b>219 140 243</b>	<b>237 922 428</b>

# KAMIESBERG MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>51 530 989</b>	<b>129 352 775</b>
<b>Taxation Revenue</b>		<b>7 649 589</b>	<b>5 811 564</b>
Property Rates	19	7 649 589	5 811 564
<b>Transfer Revenue</b>		<b>43 320 676</b>	<b>123 092 802</b>
Government Grants and Subsidies	20	43 257 979	29 628 861
Public Contributions and Donations	21	62 697	93 463 941
<b>Other Revenue</b>		<b>560 724</b>	<b>448 408</b>
Actuarial Gains	13	558 535	442 449
Fines, Penalties and Forfeits		2 190	5 959
<b>Revenue from Exchange Transactions</b>		<b>27 637 086</b>	<b>21 880 646</b>
Service Charges	22	13 488 550	13 149 151
Sales of Goods and Rendering of Services	23	52 057	603 731
Rental from Fixed Assets	24	139 792	192 139
Interest Earned - External Investments	25	945 940	885 060
Interest Earned - Outstanding Receivables	26	5 399 695	3 243 563
Licences and Permits		200 972	151 524
Agency Services		391 206	307 542
Operational Revenue	27	7 018 875	3 347 935
<b>Total Revenue</b>		<b>79 168 075</b>	<b>151 233 420</b>
<b>EXPENDITURE</b>			
Employee related costs	28	(21 925 912)	(20 678 162)
Remuneration of Councillors	29	(2 410 116)	(2 154 343)
Contracted Services	30	(6 010 905)	(4 700 746)
Depreciation and Amortisation	31	(33 170 240)	(14 806 846)
Finance Costs	32	(2 966 378)	(3 331 689)
Bulk Purchases	33	(9 334 192)	(10 893 301)
Inventory Consumed	7	(1 515 785)	(1 390 390)
Operational Costs	34	(6 378 031)	(4 742 067)
<b>Total Expenditure</b>		<b>(83 711 560)</b>	<b>(62 697 545)</b>
<b>Operating Surplus/(Deficit) for the Year</b>		<b>(4 543 485)</b>	<b>88 535 875</b>
Reversal of Impairment Loss/(Impairment Loss) on Receivables	35	(15 643 892)	(7 676 167)
Gains/(Loss) on Sale of Fixed Assets	36	(41 742)	(2 398 454)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	37	(733 338)	145 400
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(20 962 456)</b>	<b>78 606 654</b>

# KAMIESBERG MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 July 2016</b>	<b>105 923 387</b>	<b>105 923 387</b>
Net Surplus/(Deficit) for the year	78 606 654	78 606 654
Net Surplus/(Deficit) previously reported	78 481 654	78 481 654
Effects of Correction of Errors - Note 38.2	125 000	125 000
<b>Restated balance at 30 June 2017</b>	<b>184 530 042</b>	<b>184 530 042</b>
Net Surplus/(Deficit) for the year	(20 962 456)	(20 962 456)
<b>Balance at 30 June 2018</b>	<b>163 567 585</b>	<b>163 567 585</b>



# KAMIESBERG MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts			
Taxation		1 945 063	3 387 290
Service Charges		7 134 169	10 663 684
Other Revenue		7 867 788	35 748 556
Government - Operating		24 918 333	22 166 561
Government - Capital		20 271 152	8 406 000
Interest		945 940	885 060
Dividends		-	-
Cash payments			
Suppliers and Employees		(43 042 223)	(61 489 899)
Finance Charges		(1 824 767)	(1 955 006)
Transfers and Grants		-	-
<b>Net Cash from Operating Activities</b>	<b>57</b>	<b>18 215 455</b>	<b>17 812 245</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(18 507 528)	(10 083 582)
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Investment Properties		-	-
Purchase of Intangible Assets		(29 441)	(71 463)
Purchase of Heritage Assets		-	-
Purchase of Agricultural Assets		-	-
Decrease/(Increase) in Non-Current Debtors		-	-
Decrease/(Increase) in Other Non-Current Receivables		-	-
Decrease/(Increase) in Non-Current Investments		-	-
<b>Net Cash from Investing Activities</b>		<b>(18 536 968)</b>	<b>(10 155 045)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short term Loans			-
Borrowing - Long term/Refinancing			-
Increase/(Decrease) in Consumer Deposits		22 004	106 030
Repayment of Borrowing		(830 758)	(351 132)
<b>Net Cash from Financing Activities</b>		<b>(808 753)</b>	<b>(245 102)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1 130 266)</b>	<b>7 412 097</b>
Cash and Cash Equivalents at the beginning of the year		7 983 074	570 973
Cash and Cash Equivalents at the end of the year	<b>58</b>	<b>6 852 807</b>	<b>7 983 074</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1 130 267)</b>	<b>7 412 101</b>

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2018 R	%
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	51 236	379 814	431 050	-	-	431 050	636 241	47.60%
Call Investment Deposits	10 519 737	(1 399 737)	9 120 000	-	-	9 120 000	6 216 565	-31.84%
Consumer Debtors	8 017 557	3 634 943	11 652 500	-	-	11 652 500	7 307 877	-37.28%
Other Debtors	2 996 938	(1 836 188)	1 160 750	-	-	1 160 750	3 572 094	207.74%
Current Portion of long-term receivables	-	-	-	-	-	-	-	-
Inventory	94 043	1 990 457	2 084 500	-	-	2 084 500	2 136 748	2.51%
<b>Total Current Assets</b>	<b>21 679 511</b>	<b>2 769 289</b>	<b>24 448 800</b>	<b>-</b>	<b>-</b>	<b>24 448 800</b>	<b>19 869 526</b>	<b>-18.73%</b>
<b>Non-Current Assets</b>								
Long-term Receivables	-	-	-	-	-	-	-	-
Investments	-	1 519 200	1 519 200	-	-	1 519 200	-	-100.00%
Investment Property	2 471 011	21 280 989	23 752 000	-	-	23 752 000	23 752 100	0.00%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	109 807 403	94 050 597	203 858 000	-	-	203 858 000	175 415 392	-13.95%
Agricultural Assets	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	97 410	11 065	108 475	-	-	108 475	97 826	-9.82%
Other Non-Current Assets	-	5 000	5 000	-	-	5 000	5 400	8.00%
<b>Total Non-Current Assets</b>	<b>112 375 824</b>	<b>116 866 851</b>	<b>229 242 675</b>	<b>-</b>	<b>-</b>	<b>229 242 675</b>	<b>199 270 718</b>	<b>-13.07%</b>
<b>TOTAL ASSETS</b>	<b>134 055 335</b>	<b>119 636 140</b>	<b>253 691 475</b>	<b>-</b>	<b>-</b>	<b>253 691 475</b>	<b>219 140 243</b>	<b>-13.62%</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Bank Overdraft	-	-	-	-	-	-	-	-
Borrowing	182 978	648 022	831 000	-	-	831 000	920 030	10.71%
Consumer Deposits	1 363 884	106 116	1 470 000	-	-	1 470 000	1 491 918	1.49%
Trade and Other Payables	19 693 133	5 111 062	24 804 195	-	-	24 804 195	33 053 573	33.26%
Provisions	1 869 097	47 903	1 917 000	-	-	1 917 000	2 114 481	10.30%
<b>Total Current Liabilities</b>	<b>23 109 092</b>	<b>5 913 103</b>	<b>29 022 195</b>	<b>-</b>	<b>-</b>	<b>29 022 195</b>	<b>37 580 002</b>	<b>29.49%</b>
<b>Non-Current Liabilities</b>								
Borrowing	565 265	527 735	1 093 000	-	-	1 093 000	1 004 712	-8.08%
Provisions	20 916 146	(4 345 146)	16 571 000	-	-	16 571 000	16 989 298	2.52%
<b>Total Non-Current Liabilities</b>	<b>21 481 411</b>	<b>(3 817 411)</b>	<b>17 664 000</b>	<b>-</b>	<b>-</b>	<b>17 664 000</b>	<b>17 994 010</b>	<b>1.87%</b>
<b>TOTAL LIABILITIES</b>	<b>44 590 503</b>	<b>2 095 692</b>	<b>46 686 195</b>	<b>-</b>	<b>-</b>	<b>46 686 195</b>	<b>55 574 012</b>	<b>19.04%</b>
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)	89 464 833	117 540 447	207 005 280			207 005 280	163 566 231	-20.98%
Reserves	-	-	-			-	-	-
<b>TOTAL NET ASSETS</b>	<b>89 464 833</b>	<b>117 540 447</b>	<b>207 005 280</b>	<b>-</b>	<b>-</b>	<b>207 005 280</b>	<b>163 566 231</b>	<b>-20.98%</b>

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
REVENUE									
	Property Rates	8 236 844	(329 355)	7 907 489	-		7 907 489	7 649 589	-3.26%
	Service Charges - Electricity Revenue	7 570 581	20 419	7 591 000			7 591 000	7 695 051	1.37%
	Service Charges - Water Revenue	3 722 612	570 388	4 293 000			4 293 000	3 091 110	-28.00%
	Service Charges - Sanitation Revenue	1 469 511	145 489	1 615 000			1 615 000	1 425 024	-11.76%
	Service Charges - Refuse Revenue	1 620 636	524 364	2 145 000			2 145 000	1 277 366	-40.45%
	Service Charges - Other Revenue	-	-	-			-	-	
	Rental of Facilities and Equipment	166 421	(421)	166 000			166 000	139 792	-15.79%
	Interest Earned - External Investments	799 085	390	799 475			799 475	945 940	18.32%
	Interest Earned - Outstanding Debtors	4 235 397	78	4 235 475			4 235 475	5 399 695	27.49%
	Fines	1 253	(253)	1 000			1 000	2 190	118.95%
	Licences and Permits	656	344	1 000			1 000	200 972	19997.22%
	Transfers Recognised - Operational	23 498 000	(999 525)	22 498 475			22 498 475	23 321 651	3.66%
	Other Revenue	861 016	154 984	1 016 000			1 016 000	7 070 932	595.96%
	Gains on Disposal of PPE	37 893	582	38 475			38 475	(41 742)	-208.49%
Total Revenue (excluding capital transfers and contributions)									
	61.2.6	52 219 904	87 485	52 307 389	-	-	52 307 389	58 568 773	11.97%
EXPENDITURE									
	Employee Related Costs	25 013 891	751 109	25 765 000			25 765 000	21 367 377	-17.07%
	Remuneration of Councillors	2 386 780	518 220	2 905 000			2 905 000	2 410 116	-17.04%
	Debt Impairment	4 343 000	-	4 343 000			4 343 000	15 643 892	260.21%
	Depreciation and Asset Impairment	8 923 000	-	8 923 000			8 923 000	33 170 240	271.74%
	Finance Charges	171 630	26 945	198 575			198 575	2 966 378	1393.83%
	Bulk Purchases	12 182 401	(1 767 401)	10 415 000			10 415 000	9 334 192	-10.38%
	Other Materials	1 852 440	55 135	1 907 575			1 907 575	1 515 785	-20.54%
	Contracted Services	2 652 103	389 897	3 042 000			3 042 000	6 010 905	97.60%
	Other Expenditure	5 735 816	334 134	6 069 950			6 069 950	6 378 031	5.08%
	Loss on Disposal of PPE	-	-	-			-	733 338	
Total Expenditure									
	61.2.7	63 261 063	308 037	63 569 100	-	-	63 569 100	99 530 254	56.57%
Surplus/(Deficit)									
		(11 041 159)	(220 552)	(11 261 712)	-	-	(11 261 712)	(40 961 482)	263.72%
	Transfers Recognised - Capital	11 601 000	14 071 000	25 672 000			25 672 000	19 999 025	-22.10%
	Contributions Recognised - Capital	-	-	-			-	-	
	Contributed Assets	-	-	-			-	-	
Surplus/(Deficit) after Capital Transfers & Contributions									
		559 841	13 850 448	14 410 288	-	-	14 410 288	(20 962 456)	-245.47%
	Taxation	-	-	-	-	-	-	-	
Surplus/(Deficit) after Taxation									
		559 841	13 850 448	14 410 288	-	-	14 410 288	(20 962 456)	-245.47%
	Attributable to Minorities	-	-	-	-	-	-	-	
Surplus/(Deficit) Attributable to Municipality									
		559 841	13 850 448	14 410 288	-	-	14 410 288	(20 962 456)	-245.47%
	Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	
Surplus/(Deficit) for the year									
		559 841	13 850 448	14 410 288	-	-	14 410 288	(20 962 456)	-245.47%

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	Taxation	8 237 000	(1 068 000)	7 169 000	-	-	7 169 000	1 945 063	-72.87%
	Service Charges	15 246 000	(814 000)	14 432 000	-	-	14 432 000	7 134 169	-50.57%
	Other Revenue	1 029 000	155 000	1 184 000	-	-	1 184 000	7 867 788	564.51%
	Government - Operating	23 498 000	(1 000 000)	22 498 000	-	-	22 498 000	24 918 333	10.76%
	Government - Capital	-	22 569 000	22 569 000	-	-	22 569 000	20 271 152	-10.18%
	Interest	5 034 000	-	5 034 000	-	-	5 034 000	945 940	-81.21%
Payments									
	Suppliers and Employees	(52 820 764)	2 714 764	(50 106 000)	-	-	(50 106 000)	(43 042 223)	-14.10%
	Finance costs	(172 000)	(27 000)	(199 000)	-	-	(199 000)	(1 824 767)	816.97%
Net Cash from/(used) Operating Activities	61.2.8	51 236	22 529 764	22 581 000	-	-	22 581 000	18 215 455	-19.33%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	Proceeds on disposal of PPE	-	2 438 000	2 438 000	-	-	2 438 000	-	-100.00%
Payments									
	Capital Assets	-	(22 569 000)	(22 569 000)	-	-	(22 569 000)	(18 536 968)	-17.87%
Net Cash from/(used) Investing Activities	61.2.9	-	(20 131 000)	(20 131 000)	-	-	(20 131 000)	(18 536 968)	-7.92%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	Increase/(Decrease) in Consumer Deposits	-	-	-	-	-	-	22 004	#DIV/0!
Payments									
	Repayment of Borrowing	-	(831 000)	(831 000)	-	-	(831 000)	(830 758)	-0.03%
Net Cash from/(used) Financing Activities	61.2.10	-	(831 000)	(831 000)	-	-	(831 000)	(808 753)	-2.68%
NET INCREASE/(DECREASE) IN CASH HELD									
	Cash and Cash Equivalents at the year begin:	51 236	1 567 764	1 619 000	-	-	1 619 000	(1 130 266)	-169.81%
	Cash and Cash Equivalents at the year end:	-	7 983 000	7 983 000	-	-	7 983 000	7 983 074	0.00%
	Cash and Cash Equivalents at the year end:	51 236	9 550 764	9 602 000	-	-	9 602 000	6 852 807	-28.63%

## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts is set out in note 37 of the annual financial statements.

**1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
<b>GRAP 20</b> <b>(Original – Jun 2011)</b>	<p><b><u>Related Party Disclosure</u></b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b><u>Service Concession Arrangements: Grantor</u></b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2019
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b><u>Statutory Receivables</u></b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019

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<b>GRAP 109</b>	<p><b><u>Accounting by Principles and Agents</u></b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
<b>GRAP 110</b>	<p><b><u>Living and non-living resources</u></b></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>IGRAP 17</b>	<p><b><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></b></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

### **1.9.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.10. LEASES**

**1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

**1.11. BORROWING COST**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.14. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.15. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

- the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

#### **1.16. EMPLOYEE BENEFITS**

##### ***(a) Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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***(b) Long Service Awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

***(c) Staff Leave***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

***(d) Staff Bonuses***

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

***(e) Other Short-term Employee Benefits***

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.17. PROPERTY, PLANT AND EQUIPMENT**

**1.17.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

**1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent

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expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.17.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

The annual depreciation rates are based on the following estimated useful lives:

<b><u>Land and Buildings</u></b>	<b><u>Years</u></b>
Land	Indefinite
Buildings	2-100
<b><u>Infrastructure</u></b>	
Roads and Streets	1-70
Storm Water	1-50
Electricity	1-40
Water	1-70
Sanitation	1-30
Waste Management	1-20
Other	30
<b><u>Community</u></b>	
Recreation Grounds	4-40
Housing	5-40
Community Halls	2-40
Libraries	2-40

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Parks and Gardens	2-40
Clinics	2-40
Security and Policing	2-40
Other	2-40

**Finance lease assets**

Office equipment	2-5
Other assets	2-5

**Other**

Motor Vehicles	5-10
Furniture and other Office equipment	3-10
Furniture and fittings	2-32
Plant and Equipment	2-15
Computer equipment	3-5

**1.17.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.18. INTANGIBLE ASSETS**

**1.18.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:



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- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.18.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.18.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a

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prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u><b>Intangible Assets</b></u>	<b>Years</b>
Computer Software	2-5
Computer Software Licenses	2-5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

#### **1.18.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

### **1.19. INVESTMENT PROPERTY**

#### **1.19.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange

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transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.19.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.19.3. Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.19.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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**1.19.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.20. AGRICULTURE**

**1.20.1. Initial Recognition**

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell. Bearer plants are recognised as Property, Plant and Equipment in terms of GRAP 17.

**1.20.2. Subsequent Measurement**

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

**1.21. HERITAGE ASSETS**

**1.21.1. Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

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**1.21.2. Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.21.3. Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.21.4. De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.21.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

**1.22. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.22.1. Cash generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.22.2. *Non-cash-generating assets***

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

**(a) External sources of information**

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

**(b) Internal sources of information**

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;



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- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.



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The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

### **1.23. NON-CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### **1.24. INVENTORIES**

#### **1.24.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.24.2. Subsequent Measurement**

Inventories, consisting of consumable stores, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs. Land is transferred from Investment Property to Inventory at carrying value, when it is available for sale in the ordinary course of operations or in the process of development for sale.

**1.25. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.25.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences

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are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.25.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.25.2.1. Receivables**

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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**1.25.2.2. *Payables and Annuity Loans***

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.25.2.3. *Cash and Cash Equivalents***

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.25.3. *De-recognition***

**1.25.3.1. *Financial Assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and

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the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.25.3.2. *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.25.4. *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.26. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.26.1. *Initial Recognition***

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**1.26.2. *Subsequent Measurement***

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.26.3. Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

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**1.27. REVENUE**

**1.27.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be



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treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**1.27.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.



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Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.28. TRANSFER OF FUNCTIONS (Municipality as acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1.29. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

### **1.30. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.31. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.32. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.33. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.34. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

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***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in **note 17** of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;



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- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.35. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.36. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.37. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

## 2. PROPERTY, PLANT AND EQUIPMENT

### 2.1 30 JUNE 2018

Reconciliation of Carrying Value							
	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying Value at 1 July 2017</b>	4 548 102	20 997 153	159 217 043	2 204 833	2 706 692	1 502 785	191 176 608
<b>Cost</b>	4 548 102	25 174 137	294 878 473	2 811 212	3 098 192	5 425 120	335 935 236
Original Cost	4 548 102	25 174 137	294 878 473	2 811 212	3 098 192	5 425 120	335 935 236
<b>Accumulated Depreciation and Impairment Losses</b>	-	(4 176 984)	(135 661 430)	(606 379)	(391 500)	(3 922 335)	(144 758 628)
Original Cost	-	(4 176 984)	(135 661 430)	(606 379)	(391 500)	(3 922 335)	(144 758 628)
<b>Acquisitions</b>	-	-	17 862 667	-	-	76 767	17 939 433
<b>Capital under Construction</b>	-	-	-	-	-	-	-
<b>Contributed PPE</b>	-	-	-	-	-	-	-
<b>Depreciation</b>	-	(1 606 113)	(11 594 231)	(236 470)	(709 495)	(383 785)	(14 530 094)
Normal Depreciation	-	(1 606 113)	(11 594 231)	(236 470)	(709 495)	(383 785)	(14 530 094)
Backlog Depreciation	-	-	-	-	-	-	-
<b>Carrying value of disposals</b>	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
<b>Impairment losses</b>	-	-	(529 971)	-	-	-	(529 971)
Reversal of Impairment losses	-	-	-	-	-	-	-
Impairment losses	-	-	(529 971)	-	-	-	(529 971)
<b>Carrying Value at 30 June 2018</b>	4 548 102	19 391 040	164 955 508	1 968 363	1 997 197	1 195 767	194 055 976
<b>Cost</b>	4 548 102	25 174 137	312 741 140	2 811 212	3 098 192	5 501 886	353 874 669
Original Cost	4 548 102	25 174 137	312 741 140	2 811 212	3 098 192	5 501 886	353 874 669
<b>Accumulated Depreciation and Impairment Losses</b>	-	(5 783 097)	(147 785 632)	(842 849)	(1 100 995)	(4 306 120)	(159 818 693)
Original Cost	-	(5 783 097)	(147 785 632)	(842 849)	(1 100 995)	(4 306 120)	(159 818 693)

## 2.2 30 JUNE 2017

Reconciliation of Carrying Value							
	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying Value at 1 July 2016</b>	4 548 102	9 211 026	113 978 289	2 356 800	735 219	2 013 481	132 842 916
<b>Cost</b>	4 548 102	12 083 543	244 086 669	2 690 568	993 731	6 646 402	271 049 015
Original Cost	4 548 102	12 083 543	244 086 669	2 690 568	993 731	6 646 402	271 049 015
Correction of Error - Note 36.5	-	-	-	-	-	-	-
<b>Accumulated Depreciation and Impairment Losses</b>	-	(2 872 518)	(130 108 380)	(333 768)	(258 512)	(4 632 922)	(138 206 099)
Original Cost	-	(2 872 518)	(130 108 380)	(333 768)	(258 512)	(4 632 922)	(138 206 099)
Correction of Error - Note 36.5	-	-	-	-	-	-	-
<b>Acquisitions</b>	-	-	600	-	2 336 556	224 549	2 561 705
Original Cost	-	-	600	-	2 336 556	224 549	2 561 705
<b>Contributed PPE</b>	-	13 090 593	49 112 978	120 645	-	-	62 324 216
<b>IGRAP 2 Adjustment</b>	-	-	437 403	-	-	-	437 403
<b>Capital under Construction</b>	-	-	9 880 266	-	-	-	9 880 266
Original Cost	-	-	9 880 266	-	-	-	9 880 266
Correction of Error - Note 36.5	-	-	-	-	-	-	-
<b>Depreciation</b>	-	(1 304 466)	(12 445 440)	(272 611)	(331 261)	(419 559)	(14 773 337)
Normal Depreciation	-	(1 304 466)	(12 445 440)	(272 611)	(331 261)	(419 559)	(14 773 337)
Backlog Depreciation previously not recorded - Note 36.5	-	-	-	-	-	-	-
<b>Carrying value of disposals</b>	-	-	(1 911 313)	-	(33 823)	(289 059)	(2 234 195)
Cost	-	-	(8 639 443)	-	(232 095)	(1 445 832)	(10 317 370)
Correction of Error - Note 36.5	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	6 728 130	-	198 273	1 156 773	8 083 176
Correction of Error - Note 36.5	-	-	-	-	-	-	-
<b>Impairment losses</b>	-	-	164 259	-	-	(26 627)	137 632
Reversal of Impairment losses	-	-	164 259	-	-	-	164 259
Impairment losses	-	-	-	-	-	(26 627)	(26 627)
<b>Carrying Value at 30 June 2017</b>	4 548 102	20 997 153	159 217 043	2 204 833	2 706 692	1 502 785	191 176 608
<b>Cost</b>	4 548 102	25 174 137	294 878 473	2 811 212	3 098 192	5 425 120	335 935 236
Original Cost	4 548 102	25 174 137	294 878 473	2 811 212	3 098 192	5 425 120	335 935 236
<b>Accumulated Depreciation and Impairment Losses</b>	-	(4 176 984)	(135 661 430)	(606 379)	(391 500)	(3 922 335)	(144 758 628)
Original Cost	-	(4 176 984)	(135 661 430)	(606 379)	(391 500)	(3 922 335)	(144 758 628)

		2018	2017
		R	R
2.	PROPERTY, PLANT AND EQUIPMENT		
	<a href="#">See previous sheet</a>		page 1



## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>2.3 Property, Plant and Equipment which is in the process of being constructed or developed:</b>		
Infrastructure Assets	28 509 031	17 218 051
Roads	2 204 347	2 204 347
Storm Water	-	-
Electricity	605 000	605 000
Water Supply	25 699 684	14 408 704
Community Assets	-	-
Other Assets	-	-
<b>Total Property, Plant and Equipment under construction</b>	<b>28 509 031</b>	<b>17 218 051</b>
<b>2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:</b>		
Employee related costs	599 439	438 208
Other materials	136 333	226 364
Contracted Services	-	216 739
Other Expenditure	-	-
<b>Total Repairs and Maintenance</b>	<b>735 772</b>	<b>881 311</b>
<b>2.5 Assets pledged as security:</b>		
Leased Property, Plant and Equipment of R1 997 197 (2017: R2 706 692 is secured for leases as set out in Note 11.		
<b>2.6 Contractual commitments for acquisition of Property, Plant and Equipment:</b>		
Approved and contracted for:	1 447 286	3 171 216
Infrastructure	1 447 286	3 171 216
<b>Total</b>	<b>1 447 286</b>	<b>3 171 216</b>
This expenditure will be financed from:		
Government Grants	1 447 286	3 171 216
<b>Total</b>	<b>1 447 286</b>	<b>3 171 216</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>4. INVESTMENT PROPERTY</b>		
<b>4.1 Net Carrying amount at 1 July</b>	<b>23 752 100</b>	<b>23 752 100</b>
Cost	23 752 100	23 752 100
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Additions	-	-
Depreciation for the year	-	-
Impairment loss	-	-
<b>Net Carrying amount at 30 June</b>	<b>23 752 100</b>	<b>23 752 100</b>
Cost	23 752 100	23 752 100
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
<b>4.2 Revenue from Investment Property</b>		
Revenue derived from the rental of Investment Property	87 365	132 976

The municipality has no Investment Property which is in the process of being constructed or developed.

The municipality has no Investment Property that is taking a significantly longer period of time to complete than expected.

The municipality has no Investment Property where construction or development has been halted.

**5. INTANGIBLE ASSETS**

<b>5.1 Net Carrying amount at 1 July</b>	<b>107 655</b>	<b>69 701</b>
Cost	329 206	257 743
Accumulated Amortisation	(221 550)	(188 042)
Additions	29 441	71 463
Amortisation	(39 270)	(33 509)
<b>Net Carrying amount at 30 June</b>	<b>97 826</b>	<b>107 655</b>
Cost	358 647	329 206
Accumulated Amortisation	(260 822)	(221 550)

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There age no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

The municipality has no Intangible Assets which is in the process of being constructed or developed.

The municipality has no Intangible Assets that is taking a significantly longer period of time to complete than expected.

The municipality has no Intangible Assets where construction or development has been halted.



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>6. HERITAGE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>5 400</b>	<b>5 400</b>
Cost	5 400	5 400
Accumulated Impairment Loss	-	-
Additions	-	-
Disposals	-	-
(Impairment Loss) / Reversal of Impairment Loss	-	-
<b>Net Carrying amount at 30 June</b>	<b>5 400</b>	<b>5 400</b>
Cost	5 400	5 400
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

The municipality has no Heritage Assets which is in the process of being constructed or developed.

The municipality has no Heritage Assets that is taking a significantly longer period of time to complete than expected.

The municipality has no Heritage Assets where construction or development has been halted.

**7. INVENTORY**

Consumables	99 713	78 642
Land	1 962 761	1 962 761
Water	74 274	42 651
<b>Total Inventory</b>	<b>2 136 748</b>	<b>2 084 054</b>

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

**7.1 Inventories recognise as an expense during the year:**

Consumables	1 140 286	969 643
Materials and Supplies	375 499	420 747
<b>Total</b>	<b>1 515 785</b>	<b>1 390 390</b>

No inventories were pledged as security for liabilities.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>8. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Electricity	5 446 987	5 928 080
Water	16 891 518	13 732 227
Waste Management	7 079 271	6 002 613
Waste Water Management	3 760 361	3 165 677
Other Arrears	15 837 234	14 480 811
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>49 015 371</b>	<b>43 309 408</b>
<b>Less:</b> Provision for Debt Impairment	(43 912 353)	(36 509 756)
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>5 103 017</b>	<b>6 799 652</b>
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value.		
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	298 335	389 095
31 - 60 Days	193 847	179 041
61 - 90 Days	134 277	182 309
+ 90 Days	4 820 528	5 177 635
<b>Total</b>	<b>5 446 987</b>	<b>5 928 080</b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	355 333	362 142
31 - 60 Days	300 052	324 713
61 - 90 Days	269 597	298 510
+ 90 Days	15 966 536	12 746 862
<b>Total</b>	<b>16 891 518</b>	<b>13 732 227</b>
<b><u>(Waste Management): Ageing</u></b>		
Current (0 - 30 days)	146 407	140 277
31 - 60 Days	134 151	121 540
61 - 90 Days	129 082	115 786
+ 90 Days	6 669 631	5 625 010
<b>Total</b>	<b>7 079 271</b>	<b>6 002 613</b>
<b><u>(Waste Water Management): Ageing</u></b>		
Current (0 - 30 days)	128 186	123 779
31 - 60 Days	104 539	97 629
61 - 90 Days	94 166	87 717
+ 90 Days	3 433 470	2 856 551
<b>Total</b>	<b>3 760 361</b>	<b>3 165 677</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	119 667	107 872
31 - 60 Days	119 842	105 152
61 - 90 Days	119 231	104 552
+ 90 Days	15 478 494	14 163 235
<b>Total</b>	<b>15 837 234</b>	<b>14 480 811</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	1 047 928	1 123 165
31 - 60 Days	852 431	828 075
61 - 90 Days	746 353	788 874
+ 90 Days	46 368 659	40 569 294
<b>Total</b>	<b>49 015 371</b>	<b>43 309 408</b>
<b><u>Reconciliation of Provision for Debt Impairment</u></b>		
Balance at beginning of year	36 509 756	30 542 159
Contribution to provision	6 437 041	5 553 097
VAT on provision	965 556	414 500
Balance at end of year	<b>43 912 353</b>	<b>36 509 756</b>
<b><u>Ageing of amounts past due but not impaired:</u></b>		
1 month past due	852 431	828 075
2+ months past due	3 202 658	4 848 412
	<b>4 055 089</b>	<b>5 676 487</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Taxes - Rates	25 000 571	19 296 045
Other Receivables	156 749	156 749
	<hr/>	<hr/>
	25 157 321	19 452 794
<b>Less:</b> Provision for Debt Impairment	(22 952 461)	(14 599 523)
	<hr/>	<hr/>
<b>Total Receivables from non-exchange transactions</b>	<b>2 204 859</b>	<b>4 853 271</b>
	<hr/>	<hr/>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**(Rates): Ageing**

Current (0 - 30 days)	318 736	628 067
31 - 60 Days	291 894	264 659
61 - 90 Days	276 902	254 363
+ 90 Days	24 113 039	18 148 956
	<hr/>	<hr/>
<b>Total</b>	<b>25 000 571</b>	<b>19 296 045</b>
	<hr/>	<hr/>

**Reconciliation of Provision for Debt Impairment**

Balance at beginning of year	14 599 523	12 476 453
Contribution to provision	8 352 938	2 123 070
	<hr/>	<hr/>
Balance at end of year	<b>22 952 461</b>	<b>14 599 523</b>
	<hr/>	<hr/>

**Ageing of amounts past due but not impaired:**

1 month past due	291 894	264 659
2+ months past due	1 437 480	3 803 796
	<hr/>	<hr/>
	<b>1 729 374</b>	<b>4 068 455</b>
	<hr/>	<hr/>

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>10. BANK ACCOUNTS</b>		
<b>10.1 <u>Cash and Cash Equivalents</u></b>		
Current Accounts	636 241	387 420
Call Deposits and Investments	6 216 565	7 595 653
<b>Total Cash and Cash Equivalents - Assets</b>	<b>6 852 807</b>	<b>7 983 074</b>
The municipality has the following bank accounts:		
<b><u>Current Accounts</u></b>		
First National Bank - Account Number 620 2250 1440 (Primary Bank Account):	636 241	387 420
	<b>636 241</b>	<b>387 420</b>
<b><u>Call Deposits and Investments</u></b>		
First National Bank - Account Number 62012466018:	3 266	10 624
First National Bank - Account Number 62182751729:	505 395	84 389
First National Bank - Account Number 62117682791:	165 155	157 095
First National Bank - Account Number 74282299369:	291 895	273 431
First National Bank - Account Number 71053360915:	143 972	134 172
First National Bank - Account Number 71059354764:	159 988	149 041
Investec - Account Number 1100528298621:	4 946 895	6 786 901
	<b>6 216 565</b>	<b>7 595 653</b>
Details of current account is as follow:		
<b><i>First National Bank - Account Number 620 2250 1440 (Primary Bank Account):</i></b>		
Cash book balance at beginning of year	387 420	51 236
Cash book balance at end of year	636 241	387 420
Bank statement balance at beginning of year	352 021	54 927
Bank statement balance at end of year	180 469	352 021
Details of call investment accounts are as follow:		
<b><i>First National Bank - Account Number 62012466018:</i></b>		
Cash book balance at beginning of year	10 624	-
Cash book balance at end of year	3 266	10 624
Bank statement balance at beginning of year	10 624	-
Bank statement balance at end of year	3 266	10 624
<b><i>First National Bank - Account Number 62182751729:</i></b>		
Cash book balance at beginning of year	84 389	-
Cash book balance at end of year	505 395	84 389
Bank statement balance at beginning of year	84 370	-
Bank statement balance at end of year	505 395	84 370

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**First National Bank - Account Number 62117682791:**

Cash book balance at beginning of year	157 095	-
Cash book balance at end of year	165 155	157 095
Bank statement balance at beginning of year	157 095	-
Bank statement balance at end of year	165 155	157 095

**First National Bank - Account Number 74282299369:**

Cash book balance at beginning of year	273 431	255 378
Cash book balance at end of year	291 895	273 431
Bank statement balance at beginning of year	273 431	255 378
Bank statement balance at end of year	291 895	273 431

**First National Bank - Account Number 71053360915:**

Cash book balance at beginning of year	134 172	125 192
Cash book balance at end of year	143 972	134 172
Bank statement balance at beginning of year	134 172	125 192
Bank statement balance at end of year	143 972	134 172

**First National Bank - Account Number 71059354764:**

Cash book balance at beginning of year	149 041	139 166
Cash book balance at end of year	159 988	149 041
Bank statement balance at beginning of year	149 041	139 166
Bank statement balance at end of year	159 988	149 041

**Investec - Account Number 1100528298621:**

Cash book balance at beginning of year	6 786 901	-
Cash book balance at end of year	4 946 895	6 786 901
Bank statement balance at beginning of year	6 786 901	-
Bank statement balance at end of year	4 946 895	6 786 901

**11. LONG-TERM BORROWINGS**

Capitalised Lease Liability - At amortised cost	1 924 743	2 755 501
	<b>1 924 743</b>	<b>2 755 501</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>(920 030)</b>	<b>(831 181)</b>
Capitalised Lease Liability - At amortised cost	(920 030)	(831 181)
	<b>1 004 712</b>	<b>1 924 320</b>
<b>Total Long-term Borrowings</b>	<b>1 004 712</b>	<b>1 924 320</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
11.1	The obligations under annuity loans are scheduled below:		
			Minimum payments
	Amounts payable under annuity loans:		
	Payable within one year	1 099 367	1 106 490
	Payable within two to five years	1 096 885	2 196 252
	Payable after five years	-	-
		2 196 252	3 302 742
	<b>Less:</b> Future finance obligations	(271 509)	(547 241)
	<b>Present value of annuity loans obligations</b>	<b>1 924 743</b>	<b>2 755 501</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua Mobile	Laptops & Modems	0%	0%	2 Years	31/03/2019
Nashua	Fax machines and Copiers	17%	0%	5 Years	31/03/2022
Bidvest	Vehicles	10%	0%	3 Years	31/05/2020

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 2

## 12. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	13 885 880	13 312 363
<b>Total Non-current Provisions</b>	<b>13 885 880</b>	<b>13 312 363</b>

12.1 Landfill Sites

Balance 1 July	13 312 363	11 639 547
Contribution for the year	1 141 611	1 078 922
Change in Provision for Rehabilitation Cost	(568 094)	593 894
Expenditure for the year	-	-
<b>Total provision 30 June</b>	<b>13 885 880</b>	<b>13 312 363</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions	-	-
<b>Balance 30 June</b>	<b>13 885 880</b>	<b>13 312 363</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Hondeklip Bay	Klipfontein	Soebatsfontein	Garies
Area (m²)	6 175	2 392	2 952	12 875
Rehabilitation volume (m³)	2 050	635	1 075	9 350
Fence (m)	420	-	350	-
Cost of fence (Rand)	300 300	-	250 250	-
Site Clearance (R77/m³)	157 850	48 895	82 775	719 950
Excavation cost (R132/m³ + Transport)	438 250	309 550	383 800	3 802 600
Filling (R66/m²)	407 550	157 872	194 832	849 948
Environmental impact assessment (Rand)	300 000	-	-	300 000
Application for permits (Rand)	37 000	-	-	37 000
Preliminary and general (Rand)	195 593	77 448	136 749	805 875
Fees and expenses (Rand)	149 954	59 376	104 841	617 837

**KAMIESBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Tweervier</b>	<b>Kharkams</b>	<b>Spoegrivier</b>	<b>Nourivier</b>
Area (m <sup>2</sup> )	4 268	3 662	2 490	4 650
Rehabilitation volume (m <sup>3</sup> )	506	1 417	580	294
Fence (m)	-	-	200	-
Cost of fence (Rand)	-	-	143 000	-
Site Clearance (R77/m <sup>3</sup> )	38 962	109 109	44 660	22 638
Excavation cost (R132/m <sup>3</sup> + Transport)	300 376	661 132	291 400	216 424
Filling (R66/m <sup>2</sup> )	281 688	241 692	164 340	306 900
Environmental impact assessment (Rand)	-	-	-	-
Application for permits (Rand)	-	-	-	-
Preliminary and general (Rand)	93 154	151 790	96 510	81 894
Fees and expenses (Rand)	71 418	116 372	73 991	62 786

	<b>Koingnaas</b>	<b>Leliefontein</b>	<b>Rooifontein/ Kamassies</b>	<b>Paulshoek</b>	<b>Kamieskroon</b>
Area (m <sup>2</sup> )	9 500	5 250	6 440	4 900	14 500
Rehabilitation volume (m <sup>3</sup> )	2 630	810	574	687	4 450
Fence (m)	-	-	-	-	460
Cost of fence (Rand)	-	-	-	-	328 900
Site Clearance (R77/m <sup>3</sup> )	202 510	62 370	44 198	52 899	342 650
Excavation cost (R132/m <sup>3</sup> + Transport)	100 000	420 760	327 304	372 052	1 862 200
Filling (R66/m <sup>2</sup> )	627 000	346 500	425 040	323 400	957 000
Environmental impact assessment (Rand)	-	-	-	-	-
Application for permits (Rand)	-	-	-	-	-
Preliminary and general (Rand)	139 427	124 445	119 481	112 253	523 612
Fees and expenses (Rand)	106 894	95 407	91 602	86 060	401 436

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

<b>Location</b>	<b>Estimated decommission date</b>	<b>2018  R</b>	<b>2017  R</b>
Hondeklip Bay	2038	5 796 116	5 670 352
Koingnaas	2038	3 430 787	3 059 404
Klipfontein	2038	1 905 707	1 941 165
Soebatsfontein	2038	3 364 892	3 399 261
Garies	2022	8 836 796	8 139 028
Tweervier	2038	2 292 184	2 327 354
Kharkams	2038	3 735 007	3 769 099
Spoegrivier	2038	2 374 766	2 409 874
Nourivier	2038	2 015 126	2 050 502
Leliefontein	2038	3 062 134	3 096 728
Rooifontein/ Kamassies	2038	2 940 007	2 974 693
Paulshoek	2038	2 762 136	2 796 955
Kamieskroon	2038	12 884 230	12 911 486
		<b>55 399 888</b>	<b>54 545 901</b>

**13. NON-CURRENT EMPLOYEE BENEFITS**

Provision for Post Retirement Health Care Benefits	2 119 915	2 288 334
Provision for Long Service Awards	983 503	969 846
<b>Total Non-current Employee Benefits</b>	<b>3 103 418</b>	<b>3 258 180</b>



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b><u>Post Retirement Health Care Benefits</u></b>		
Balance 1 July	2 331 784	2 326 251
Contribution for the year	416 869	423 108
Expenditure for the year	(46 187)	(38 640)
Actuarial Loss/(Gain)	(537 524)	(378 935)
<b>Total provision 30 June</b>	<b>2 164 942</b>	<b>2 331 784</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 15	(45 027)	(43 450)
<b>Balance 30 June</b>	<b>2 119 915</b>	<b>2 288 334</b>

**Long Service Awards**

Balance 1 July	1 051 024	962 298
Contribution for the year	186 790	182 755
Expenditure for the year	(30 035)	(77 354)
Actuarial Loss/(Gain)	(21 011)	(16 675)
<b>Total provision 30 June</b>	<b>1 186 768</b>	<b>1 051 024</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 15	(203 265)	(81 178)
<b>Balance 30 June</b>	<b>983 503</b>	<b>969 846</b>

**13.1 Provision for Post Retirement Health Care Benefits**

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	22	25
In-service (employee) non-members	67	61
Continuation members (e.g. Retirees, widows, orphans)	2	2
<b>Total Members</b>	<b>91</b>	<b>88</b>

	2018 R	2017 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	1 113 651	1 233 705
In-service non-members	765 477	800 140
Continuation members	285 814	297 939
<b>Total Liability</b>	<b>2 164 942</b>	<b>2 331 784</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
In-service members	1 093 881	820 417	741 939
In-service non-members	928 400	811 365	643 148
Continuation members	303 970	307 685	306 862
<b>Total Liability</b>	<b>2 326 251</b>	<b>1 939 467</b>	<b>1 691 949</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health

The Current-service Cost for the ensuing year is estimated to be R171 310, whereas the Interest Cost for the next year is estimated to be R208 295.

Key actuarial assumptions used:	2018 %	2017 %
<b>i) Rate of interest</b>		
Discount rate	9.72%	9.93%
Health Care Cost Inflation Rate	7.48%	8.21%
Net Effective Discount Rate	2.08%	1.59%

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

The normal retirement age for employees of the municipality is 63 years for males and 58 years for females.

**iv) Expected rate of salary increases**

2018/2019 - 7% + additional 0,5% for employees who earn a basic salary of R9 000 or less.

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

	2018 R	2017 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	2 164 942	2 331 784
Fair value of plan assets	-	-
	<u>2 164 942</u>	<u>2 331 784</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
<b>Net liability</b>	<u><b>2 164 942</b></u>	<u><b>2 331 784</b></u>

	2018 R	2017 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	2 331 784	2 326 251
Total expenses	370 682	382 921
Current service cost	187 465	204 305
Interest Cost	229 404	218 803
Benefits Paid	(46 187)	(40 187)
Actuarial (gains)/losses	(537 524)	(377 388)
Present value of fund obligation at the end of the year	<u>2 164 942</u>	<u>2 331 784</u>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>Reconciliation of fair value of plan assets:</b>		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
	<hr/>	<hr/>
Fair value of plan assets at the end of the year	-	-
	<hr/>	<hr/>

**Sensitivity Analysis on the Accrued Liability on 30 June 2018**

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
<b>Assumption</b>			
Central Assumptions	1.879	0.286	2.165

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
<b>Assumption</b>					
Health care inflation	+1%	2.149	0.301	2.449	13%
Health care inflation	-1%	1.594	0.272	1.866	-14%
Post-retirement mortality	-1 year	1.942	0.301	2.243	4%
Average retirement age	-1 year	2.100	0.286	2.386	10%
Withdrawal Rate	-10%	1.311	0.286	1.597	-26%

**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019**

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	171 300	208 300	379 600

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Assumption</b>					
Health care inflation	+1%	197 100	235 900	433 000	14%
Health care inflation	-1%	144 000	179 300	323 300	-15%
Post-retirement mortality	-1 year	176 900	215 900	392 800	3%
Average retirement age	-1 year	175 100	229 800	404 900	7%
Withdrawal Rate	-10%	113 800	153 100	266 900	-30%

	2018 R	2017 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(358 000)	(85 000)
Assets: Gain / (loss)		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
Liabilities: (Gain) / loss	169 000	(16 000)	235 000
Assets: Gain / (loss)	-	-	-

### 13.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 89 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R108 900 whereas the Interest Cost for the next year is estimated to be R91 215.

	2018 %	2017 %
Key actuarial assumptions used:		
i) <b>Rate of interest</b>		
Discount rate	8.39%	8.34%
General Salary Inflation (long-term)	6.03%	6.16%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23%	2.05%

	2018 R	2017 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 186 768	1 051 024
Fair value of plan assets	-	-
	<u>1 186 768</u>	<u>1 051 024</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
<b>Net liability</b>	<u><b>1 186 768</b></u>	<u><b>1 051 024</b></u>

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 051 024	962 298
Total expenses	156 755	153 787
Current service cost	102 485	103 797
Interest Cost	84 305	78 958
Benefits Paid	(30 035)	(28 968)
Actuarial gains	(21 011)	(65 061)
Present value of fund obligation at the end of the year	<u><b>1 186 768</b></u>	<u><b>1 051 024</b></u>
	<b>2018 R</b>	<b>2017 R</b>

#### Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	<u><b>-</b></u>	<u><b>-</b></u>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sensitivity Analysis on the Accrued Liability on 30 June 2018

	Change	Liability (Rm)	% change
<b>Assumption</b>			
Central assumptions			
General salary inflation	+1%	1.249	5%
General salary inflation	-1%	1.130	-5%
Average retirement age	-2 yrs	1.100	-7%
Average retirement age	+2 yrs	1.317	11%
Withdrawal rates	-50%	1.410	19%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	108 900	91 200	200 100

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Assumption</b>					
General Salary inflation	+1%	116 500	96 500	213 000	6%
General Salary inflation	-1%	102 100	86 400	188 500	-6%
Discount rate	+1%	102 700	96 500	199 200	0%
Discount rate	-1%	115 900	85 200	201 100	0%
Average retirement age	-2 years	101 700	84 000	185 700	-7%
Average retirement age	+2 years	120 500	102 100	222 600	11%
Withdrawal Rate	-50%	142 500	109 900	252 400	26%
				<b>2018 R</b>	<b>2017 R</b>

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	41 142	32 540
Assets: Gain / (loss)		

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
Liabilities: (Gain) / loss	26 338	20 352	9 070
Assets: Gain / (loss)	-	-	-

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>13.3 Retirement funds</b>		
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p> <p><b><u>LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)</u></b></p> <p>The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund has a funding level of 102,6% (30 June 2016 - 103,5%).</p>		
Contributions paid recognised in the Statement of Financial Performance	623 933	1 022 652
<b><u>DEFINED CONTRIBUTION FUNDS</u></b>		
<p>Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p> <p>Contributions paid recognised in the Statement of Financial Performance</p>		
National Fund Municipal Workers	-	94 125
SAMWU National Provident Fund	753 272	794 195
	753 272	888 320
<b>14. CONSUMER DEPOSITS</b>		
Water and Electricity	1 491 918	1 469 914
<b>Total Consumer Deposits</b>	<b>1 491 918</b>	<b>1 469 914</b>
<p>The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.</p> <p>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.</p>		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>15. CURRENT EMPLOYEE BENEFITS</b>		
Staff Bonuses	496 418	463 896
Staff Leave	1 369 771	1 328 707
Current Portion of Non-Current Provisions	248 292	124 628
Current Portion of Post Retirement Benefits - Note 13	45 027	43 450
Current Portion of Long-Service Provisions - Note 13	203 265	81 178
<b>Total Provisions</b>	<b>2 114 481</b>	<b>1 917 231</b>

The movement in current provisions are reconciled as follows:

**15.1 Staff Bonuses**

Balance at beginning of year	463 896	445 525
Contribution to current portion	1 174 686	1 062 917
Expenditure incurred	(1 142 165)	(1 044 546)
Balance at end of year	<b>496 418</b>	<b>463 896</b>

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**15.2 Staff Leave**

Balance at beginning of year	1 328 707	1 307 578
Contribution to current portion	336 887	143 107
Expenditure incurred	(295 823)	(121 978)
Balance at end of year	<b>1 369 771</b>	<b>1 328 707</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	19 622 578	20 718 868
Advance Payments	1 006 074	964 156
Control, Clearing and Interface Accounts	6 248 419	3 648 157
Retentions	418 637	418 637
Correction of Error - Note 38.1	-	(125 000)
<b>Total Trade Payables</b>	<b>27 295 708</b>	<b>25 624 818</b>

Payables are being recognised net of any discounts.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>17. UNSPENT TRANSFERS AND SUBSIDIES</b>		
Unspent Transfers and Subsidies	4 757 737	5 054 377
National Government Grants	-	238 127
Provincial Government Grants	4 472 588	4 531 101
District Municipality	285 149	285 149
<b>Less:</b> Unpaid Transfers and Subsidies	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
<b>Total Unspent Transfers and Subsidies</b>	<b>4 757 737</b>	<b>5 054 377</b>
See Appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
<b>18. TAXES</b>		
<b>18.1</b> VAT Payable	(177 099)	(348 966)
VAT Output in Suspense	(3 377 824)	(3 152 163)
<b>Less:</b> Contribution to Provision for Doubtful Debt Impairment	-	2 705 997
<b>Total VAT Payable</b>	<b>(3 554 923)</b>	<b>(795 132)</b>
<b>18.2</b> VAT Receivable	1 350 498	1 622 081
VAT Input in Suspense	5 776 519	333 666
<b>Total VAT Receivable</b>	<b>7 127 017</b>	<b>1 955 747</b>
<b>18.3 Net VAT (Payable)/Receivable</b>	<b>3 572 094</b>	<b>1 160 615</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>19. PROPERTY RATES</b>		
<b>Actual</b>		
Rateable Land and Buildings	9 983 610	7 481 769
<b>Less:</b> Revenue Forgone	(2 334 020)	(1 670 205)
<b>Total Property Rates</b>	<b>7 649 589</b>	<b>5 811 564</b>



# KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b><u>Valuations - 1 July 2017</u></b>		
<b>Rateable Land and Buildings</b>	1 362 638 300	1 362 638 300
Business and Commercial Property	33 812 200	32 619 300
Industrial Property	-	3 458 500
Mining Properties	68 500 100	68 500 100
Municipal Properties	21 906 800	16 245 100
Protected Areas	5 159 000	5 159 000
Public Benefit Organisations	-	15 229 300
Public Service Infrastructure Properties	182 800	182 800
Residential Properties	201 887 600	203 615 200
State - National/ Provincial Services	67 983 900	67 983 900
Agricultural Purposes	873 190 100	873 668 100
Multiple Purposes	4 786 800	4 786 800
Other Categories	85 229 000	71 190 200
<b>Less: Revenue Forgone</b>	-	-
<b>Total Assessment Rates</b>	<b>1 362 638 300</b>	<b>1 362 638 300</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

### Basic Rate

Residential	1.4305c/R	1.3445c/R
Commercial	2.1458c/R	2.0167c/R
Agricultural	0,06007c/R	0,05646c/R
State	3.5764c/R	3.3613c/R
Industrial	2.1458c/R	2.0167c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at a rate determined by the council on outstanding rates amounts.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	- The first R15 000 on the valuation is exempted.
Public Benefit Organisations	- 100%
State	- 30%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>20. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Government Grants and Subsidies - Operating	23 258 954	20 664 003
Equitable Share	19 362 000	18 175 314
Expanded Public Works Programme Integrated Grant	-	-
Local Government Financial Management Grant	2 345 000	2 010 000
Libraries, Archives and Museums	929 468	378 689
Namakwa DM	622 486	100 000
Government Grants and Subsidies - Capital	19 999 025	8 964 858
Municipal Infrastructure Grant	13 101 000	8 167 873
Expanded Public Works Programme Integrated Grant	377 311	469 448
Water Services Infrastructure Grant	3 994 526	-
Namakwa DM	-	327 537
Drought Relief	2 526 188	-
<b>Total Government Grants and Subsidies</b>	<b>43 257 979</b>	<b>29 628 861</b>
	<b>2018 R</b>	<b>2017 R</b>
Included in above are the following grants and subsidies received:		
<b><u>Unconditional</u></b>	19 362 000	18 175 314
Equitable Share	19 362 000	18 175 314
<b><u>Conditional</u></b>	24 886 125	11 453 548
Local Government Financial Management Grant [Schedule 5B]	2 345 000	2 010 000
Municipal Systems Improvement Grant [Schedule 5B]	-	-
Libraries, Archives and Museums	919 487	378 689
Expanded Public Works Programme	1 377 311	469 448
Namakwa DM	622 486	427 537
Municipal Infrastructure Grant [Schedule 5B]	13 101 127	8 167 873
Department Water Affairs and Environment	3 994 526	-
Drought Relief	2 526 188	-
<b>Total Government Grants and Subsidies</b>	<b>44 248 125</b>	<b>29 628 861</b>
	<b>2018 R</b>	<b>2017 R</b>
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	19 362 000	18 175 314
Finance and Administration	16 997 954	10 984 100
Planning and Development	-	-
Road Transport	377 311	469 448
Water Management	6 520 714	-
<b>Total Government Grants and Subsidies</b>	<b>43 257 979</b>	<b>29 628 861</b>

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>20.1 <u>Equitable Share</u></b>		
Opening balance	-	-
Correction of Error	-	-
Grants received	19 362 000	18 175 314
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(19 362 000)	(18 175 314)
Conditions met - Capital	-	-
	<hr/>	<hr/>
Conditions still to be met	-	-
	<hr/>	<hr/>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

<b>20.2 <u>Local Government Financial Management Grant (FMG)</u></b>		
Opening balance	-	263 319
Correction of Error	-	-
Grants received	2 345 000	2 010 000
Interest received	-	-
Repaid to National Revenue Fund	-	(263 319)
Conditions met - Operating	(2 345 000)	(2 010 000)
Conditions met - Capital	-	-
	<hr/>	<hr/>
Conditions still to be met	-	0
	<hr/>	<hr/>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

<b>20.3 <u>Municipal Systems Improvement Grant (MSIG)</u></b>		
Opening balance	-	161 198
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	(161 198)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	<hr/>	<hr/>
Conditions still to be met	-	-
	<hr/>	<hr/>

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>20.4 <u>Municipal Infrastructure Grant (MIG)</u></b>		
Opening balance	238 127	-
Correction of Error	-	-
Grants received	13 101 000	8 406 000
Interest received	-	-
Repaid to National Revenue Fund	(238 000)	-
Conditions met - Operating	-	-
Conditions met - Capital	(13 101 127)	(8 167 873)
Conditions still to be met	-	238 127

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

<b>20.5 <u>Integrated National Electrification Grant</u></b>		
Opening balance	-	284 796
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	(284 796)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	-	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

<b>20.6 <u>Expanded Public Works Programme (EPWP)</u></b>		
Opening balance	1 377 311	846 759
Correction of Error	-	-
Grants received	1 000 000	1 000 000
Repaid to National Revenue Fund	(1 000 000)	-
Conditions met - Operating	(728 000)	-
Conditions met - Capital	(649 311)	(469 448)
Conditions still to be met	-	1 377 311

The grant was used for job creation.

<b>20.7 <u>Department Water Affairs and Environment (DWAF)</u></b>		
Opening balance	141 362	141 362
Correction of Error	-	-
Grants received	4 000 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(3 994 526)	-
Conditions still to be met	146 837	141 362

The grant was used for the refurbishment of water infrastructure.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>20.8 <u>Library Grant</u></b>		
Opening balance	2 261 094	1 322 784
Correction of Error	-	-
Grants received	791 000	1 317 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(919 487)	(378 689)
Conditions met - Capital	-	-
Conditions still to be met	<u>2 132 607</u>	<u>2 261 094</u>
The grant was used to finance library activities.		
<b>20.9 <u>Namakwa District Municipality</u></b>		
Opening balance	285 149	339 125
Correction of Error	-	-
Grants received	622 486	373 561
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(622 486)	(100 000)
Conditions met - Capital	-	(327 537)
Conditions still to be met	<u>285 149</u>	<u>285 149</u>
The grant was used for various projects.		
<b>20.10 <u>Project Nala</u></b>		
Opening balance	620 180	620 180
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>620 180</u>	<u>620 180</u>
The grant was used for job creation.		
<b>20.11 <u>Department Finance, Economic Development &amp; Tourism</u></b>		
Opening balance	100 000	100 000
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>100 000</u>	<u>100 000</u>
The grant was used for job creation.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>20.12 Department Social Services</b>		
Opening balance	482	482
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	<hr/>	<hr/>
Conditions still to be met	482	482
	<hr/>	<hr/>
<i>The grant was used for various projects.</i>		
<b>20.13 Department Sport, Arts and Culture</b>		
Opening balance	6 262	6 262
Correction of Error	-	-
Grants received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	<hr/>	<hr/>
Conditions still to be met	6 262	6 262
	<hr/>	<hr/>
<i>The grant was used for various related projects.</i>		
<b>20.14 Drought Relief</b>		
Opening balance	24 409	24 409
Correction of Error	-	-
Grants received	3 968 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(2 526 188)	-
	<hr/>	<hr/>
Conditions still to be met	1 466 220	24 409
	<hr/>	<hr/>
<i>The grant was used for drought relief.</i>		
<b>20.15 Total Grants</b>		
Opening balance	5 054 376	4 110 677
Correction of Error	-	-
Grants received	45 189 486	31 281 875
Interest received	-	-
Repaid to National Revenue Fund	(1 238 000)	(709 314)
Conditions met - Operating	(23 976 973)	(20 664 003)
Conditions met - Capital	(20 271 152)	(8 964 858)
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	4 757 737	5 054 377
	<hr/>	<hr/>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	4 757 737	5 054 377
Unpaid Conditional Government Grants and Receipts	-	-
	<hr/>	<hr/>
<b>Total</b>	<b>4 757 737</b>	<b>5 054 377</b>
	<hr/>	<hr/>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
<b>21. PUBLIC CONTRIBUTIONS AND DONATIONS</b>			
Public Contributions - Unconditional	- De Beers	-	62 324 216
Public Contributions - Unconditional	- Other	62 697	31 139 725
<b>Total Public Contributions and Donations</b>		<b>62 697</b>	<b>93 463 941</b>
<b>22. SERVICE CHARGES</b>			
Electricity		8 849 577	7 243 665
Water		4 065 944	4 265 247
Waste Management		2 173 869	2 035 126
Waste Water Management		1 671 042	1 534 808
<b>Total Service Charges</b>		<b>16 760 431</b>	<b>15 078 845</b>
<b>Less:</b>	Revenue Forgone	(3 271 881)	(1 929 693)
		<b>13 488 550</b>	<b>13 149 151</b>
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.			
<b>23. SALES OF GOODS AND RENDERING OF SERVICES</b>			
Building Plan Approval		7 283	8 920
Camping Fees		5 078	6 890
Cemetery and Burial		-	5 315
Photocopies and Faxes		7 281	10 020
Sale of Goods		32 416	572 585
<b>Total Sales of Goods and Rendering of Services</b>		<b>52 057</b>	<b>603 731</b>
<b>24. RENTAL FROM FIXED ASSETS</b>			
Investment Property		87 365	132 976
Property, Plant and Equipment		52 427	59 163
<b>Total Rental from Fixed Assets</b>		<b>139 792</b>	<b>192 139</b>
<b>25. INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Bank		945 940	885 060
Other		-	-
<b>Total Interest Earned - External Investments</b>		<b>945 940</b>	<b>885 060</b>
<b>26. INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Trade Receivables		3 149 625	1 447 133
Other Receivables		2 250 070	1 796 429
<b>Total Interest Earned - Outstanding Receivables</b>		<b>5 399 695</b>	<b>3 243 563</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>27. OPERATIONAL REVENUE</b>		
Discounts and Early Settlements	7 004 422	3 266 524
Insurance Refund	14 445	-
Sale of Property	-	17 788
Skills Development Levy Refund	-	63 623
<b>Total Operational Revenue</b>	<b>7 018 867</b>	<b>3 347 935</b>
<b>28. EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	15 109 641	13 616 326
Pension and UIF Contributions	2 005 729	2 398 975
Medical Aid Contributions	591 858	652 290
Overtime	917 302	748 207
Bonuses	1 174 686	1 033 948
Motor Vehicle Allowance	823 401	639 809
Cell Phone Allowance	77 840	59 136
Housing Allowances	154 528	162 001
Other benefits and allowances	130 381	916 261
Payments in lieu of leave	336 887	143 107
Workmen's Compensation Fund	-	-
Post-retirement Benefit Obligations	603 659	308 102
<b>Total Employee Related Costs</b>	<b>21 925 912</b>	<b>20 678 162</b>

**KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

***Remuneration of the Municipal Manager - Mr JG Cloete***

Basic Salary	383 528	623 353
Pension and UIF Contributions	1 041	1 785
Medical Aid Contributions	23 704	28 465
Overtime	-	-
Bonus	-	-
Motor Vehicle Allowance	68 253	111 809
Cell Phone Allowance	6 340	10 386
Housing Allowances	8 749	14 330
Other benefits and allowances	91 452	174 570
Payments in lieu of leave	108 640	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
<b>Total</b>	<b>691 708</b>	<b>964 697</b>



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b><i>Remuneration of the Municipal Manager - Mr RC Beukes</i></b>		
Basic Salary	219 627	
Pension and UIF Contributions	40 276	-
Medical Aid Contributions	7 614	-
Overtime	-	-
Bonus	-	-
Motor Vehicle Allowance	94 064	-
Cell Phone Allowance	9 500	-
Housing Allowances	5 175	-
Other benefits and allowances	108 998	11 977
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
<b>Total</b>	<b>485 255</b>	<b>11 977</b>
<b><i>Remuneration of the Chief Financial Officer - Mr RC Beukes</i></b>		
Basic Salary	273 868	344 773
Pension and UIF Contributions	50 337	63 308
Medical Aid Contributions	10 307	16 916
Overtime	-	-
Bonus	55 415	28 183
Motor Vehicle Allowance	38 500	66 000
Cell Phone Allowance	5 250	9 000
Housing Allowances	7 245	12 420
Other benefits and allowances	52 105	77 893
Payments in lieu of leave	74 680	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
<b>Total</b>	<b>567 706</b>	<b>618 493</b>
<b><i>Remuneration of the Chief Financial Officer - Ms RM Cloete (acting)</i></b>		
Motor Vehicle Allowance	16 500	-
Other benefits and allowances	22 646	-
<b>Total</b>	<b>39 146</b>	<b>-</b>
<b><i>Remuneration of the Chief Financial Officer - Mr JD Engelbrecht (acting)</i></b>		
Other benefits and allowances	-	5 000
<b>Total</b>	<b>-</b>	<b>5 000</b>
<b><i>Remuneration of Director : Corporate Services - Ms DC Cloete (previously DC Beukes)</i></b>		
Basic Salary	338 640	319 977
Pension and UIF Contributions	62 740	57 563
Medical Aid Contributions	30 386	33 476
Overtime	-	-
Bonus	26 712	24 345
Motor Vehicle Allowance	-	-
Cell Phone Allowance	9 000	9 000
Housing Allowances	-	-
Other benefits and allowances	25 499	36 714
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
<b>Total</b>	<b>492 978</b>	<b>481 075</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>Remuneration of Director : Community Services (LED) - Mr JG Cloete</b>		
Basic Salary	180 000	-
Pension and UIF Contributions	744	-
Medical Aid Contributions	12 206	-
Motor Vehicle Allowance	67 708	-
Cell Phone Allowance	5 000	-
Housing Allowances	5 175	-
Other benefits and allowances	43 952	-
<b>Total</b>	<b>314 786</b>	<b>-</b>

<b>Remuneration of Director : Technical Services - Mr FA Links</b>		
Basic Salary	330 834	315 283
Pension and UIF Contributions	61 335	56 996
Medical Aid Contributions	41 854	39 506
Bonus	28 151	26 272
Motor Vehicle Allowance	66 000	66 000
Cell Phone Allowance	9 000	9 000
Housing Allowances	12 420	12 420
Other benefits and allowances	24 522	44 507
<b>Total</b>	<b>574 116</b>	<b>569 984</b>

<b>Remuneration of Director : Technical Services - Mr J Witbooi (acting)</b>		
Other benefits and allowances	51 152	12 854
<b>Total</b>	<b>51 152</b>	<b>12 854</b>

<b>Remuneration of Director : Technical Services - Mr BM Paulus (acting)</b>		
Other benefits and allowances	-	2 000
<b>Total</b>	<b>-</b>	<b>2 000</b>

<b>Remuneration of Director : Technical Services - Mr RR Pauls (acting)</b>		
Other benefits and allowances	-	2 000
<b>Total</b>	<b>-</b>	<b>2 000</b>

29. REMUNERATION OF COUNCILLORS

PJ Willems	287 490	234 964
HG Links	-	27 496
MJ Cloete (Mayor)	666 230	731 091
MS Joseph	-	27 081
EA Steenkamp	-	27 083
SC Nero	287 135	234 964
S Engelbrecht	-	30 932
LE Petersen	286 261	208 632
MC Rooi	286 261	210 700
CC Kordom	286 261	210 700
H Steenkamp	184 431	-
MJ Cloete (Councillor)	40 421	-
RO Adams	85 627	210 700
<b>Total Councillors' Remuneration</b>	<b>2 410 116</b>	<b>2 154 343</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	391 187	152 895	25 292	96 856	666 230
Councillors	1 079 560	346 821	184 414	133 091	1 743 887
<b>Total Councillors' Remuneration</b>	<b>1 470 747</b>	<b>499 717</b>	<b>209 706</b>	<b>229 947</b>	<b>2 410 116</b>

	2018 R	2017 R
<b>30. CONTRACTED SERVICES</b>		
Outsourced Services	3 767 970	48 193
Consultants and Professional Services	1 065 451	3 873 937
Contractors	1 177 484	778 616
<b>Total Contracted Services</b>	<b>6 010 905</b>	<b>4 700 746</b>
<b>31. DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	33 130 970	14 773 337
Intangible Assets	39 270	33 509
<b>Total Depreciation and Amortisation</b>	<b>33 170 240</b>	<b>14 806 846</b>
<b>32. FINANCE COSTS</b>		
Long-term Borrowings	275 730	162 127
Non-current Provisions	1 141 611	1 078 922
Non-current Employee Benefits	-	297 761
Payables	1 549 037	1 792 880
<b>Total Finance Costs</b>	<b>2 966 378</b>	<b>3 331 689</b>
<b>33. BULK PURCHASES</b>		
Electricity	9 115 804	10 690 485
Water	218 389	202 816
<b>Total Bulk Purchases</b>	<b>9 334 192</b>	<b>10 893 301</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>34. OPERATIONAL COSTS</b>		
Advertising, Publicity and Marketing	232 091	229 791
Audit Fees	3 024 920	2 105 602
Bank Charges, Facility and Card Fees	252 006	125 018
Communication	654 314	843 509
Entertainment	-	16 713
Insurance Underwriting	358 076	340 615
Licences	34 070	276 500
Printing, Publications and Books	407	116 532
Professional Bodies, Membership and Subscription	500 000	12 505
Signage	935	-
Skills Development Fund Levy	190 801	170 808
Special Programmes	-	308 440
Travel and Subsistence	1 121 581	276 262
Uniform and Protective Clothing	8 829	44 772
<b>Total Operational Costs</b>	<b>6 378 031</b>	<b>4 867 067</b>
<b>35. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES</b>		
Receivables from Exchange Transactions - Note 8	7 290 955	5 967 597
Receivables from Non-exchange Revenue - Note 9	8 352 937	2 123 070
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables</b>	<b>15 643 892</b>	<b>8 090 667</b>
<b>36. GAINS/(LOSS) ON SALE OF FIXED ASSETS</b>		
Property, Plant and Equipment	41 742	(2 398 454)
<b>Total Gains/ (Loss) on Sale of Fixed Assets</b>	<b>41 742</b>	<b>(2 398 454)</b>
<b>37. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON FIXED ASSETS</b>		
Property, Plant and Equipment	733 338	145 400
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets</b>	<b>733 338</b>	<b>145 400</b>
<b>38. CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
<b>38.1 Trade and Other Payables from Exchange Transactions</b>		
Balance previously reported	-	25 749 818
Sundry Creditors recognised incorrectly in 2016/2017 - Note 16	-	(125 000)
<b>Restated Balance</b>	<b>-</b>	<b>25 624 818</b>

*Sundry creditor recognised incorrectly in prior year*

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## 38.2 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>				
Property Rates		5 811 564	-	5 811 564
Surcharges and Taxes		-	-	-
Government Grants and Subsidies		29 628 861	-	29 628 861
Public Contributions and Donations		93 463 941	-	93 463 941
Contributed Property, Plant and Equipment		-	-	-
Actuarial Gains		442 449	-	442 449
Fines, Penalties and Forfeits		5 959	-	5 959
Interest Earned - Non-exchange Transactions		-	-	-
Licences and Permits from Non-Exchange Transactions		-	-	-
Service Charges		13 149 151	-	13 149 151
Sales of Goods and Rendering of Services		603 731	-	603 731
Rental from Fixed Assets		192 139	-	192 139
Interest Earned - External Investments		885 060	-	885 060
Interest Earned - Outstanding Receivables		3 243 563	-	3 243 563
Licences and Permits from Exchange Transactions		151 524	-	151 524
Agency Services		307 542	-	307 542
Operational Revenue		3 347 935	-	3 347 935
Total		<b>151 233 420</b>	<b>-</b>	<b>151 233 420</b>
<b>Expenditure</b>				
Employee related costs		(20 678 162)	-	(20 678 162)
Remuneration of Councillors		(2 154 343)	-	(2 154 343)
Bad Debts Written Off		-	-	-
Contracted Services		(4 700 746)	-	(4 700 746)
Depreciation and Amortisation		(14 806 846)	-	(14 806 846)
Actuarial Losses		-	-	-
Finance Costs		(3 331 689)	-	(3 331 689)
Bulk Purchases		(10 893 301)	-	(10 893 301)
Inventory Consumed		(1 390 390)	-	(1 390 390)
Operating Leases		-	-	-
Transfers and Subsidies		-	-	-
Operational Costs		(4 867 067)	125 000	(4 742 067)
Total		<b>(62 822 545)</b>	<b>125 000</b>	<b>(62 697 545)</b>
<b>Gains and Losses</b>				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(2 398 454)	-	(2 398 454)
Gains/(Loss) on Sale of Fixed Assets		-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		-	-	-
Profit/(Loss) on Fair Value Adjustments		145 400	-	145 400
Profit/(Loss) from Discontinued Operations		-	-	-
Water Losses		-	-	-
Total		<b>(2 253 054)</b>	<b>-</b>	<b>(2 253 054)</b>
Net Surplus/(Deficit) for the year		<b>86 157 822</b>	<b>125 000</b>	<b>86 282 822</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>39. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(20 962 456)	78 606 654
<b>Adjustments for:</b>		
Depreciation and Amortisation	33 170 240	14 806 846
Loss/(Gain) on Sale of Fixed Assets	-	2 398 454
Impairment Loss/(Reversal of Impairment Loss)	529 971	(145 400)
Contributed Property, Plant and Equipment	-	(62 324 216)
Government Grants and Subsidies received	45 189 486	30 572 561
Government Grants and Subsidies recognised as revenue	(43 257 979)	(29 628 861)
Change in Provision for Rehabilitation Cost	1 141 611	1 078 922
Contribution from/to - Current Employee Benefits	1 511 574	1 206 023
Contribution from/to provisions - Non-Current Employee Benefits	527 437	489 869
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	-	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(558 535)	(395 610)
Write-off of Current Employee Benefits	-	-
Contribution to provisions – Bad Debt	14 789 976	7 676 167
Reversal of Provision for Bad Debt	-	-
Operating Surplus/(Deficit) before changes in working capital	32 081 324	44 341 408
Changes in working capital	(13 865 869)	(26 529 163)
Increase/(Decrease) in Trade and Other Payables	1 670 890	(17 803 970)
Increase/(Decrease) in Employee Benefits	(1 437 988)	(1 166 523)
Increase/(Decrease) in Taxes	(2 411 479)	746 884
(Increase)/Decrease in Inventory	(52 694)	(27 250)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(4 740 406)	(5 729 030)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(6 894 192)	(2 549 274)
<b>Cash generated/(absorbed) by operations</b>	<b>18 215 455</b>	<b>17 812 245</b>
<b>40. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	636 241	387 420
Call Deposits and Investments - Note 10	6 216 565	7 595 653
<b>Total cash and cash equivalents</b>	<b>6 852 807</b>	<b>7 983 074</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>41. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 58	6 852 807	7 983 074
<b>Less:</b>	(4 580 638)	(5 054 377)
Unspent Transfers and Subsidies - Note 22	(4 757 737)	(5 054 377)
VAT - Note 24	177 099	-
Secured Investments		
Net cash resources available for internal distribution	2 272 169	2 928 697
<b>Resources available for working capital requirements</b>	<b>2 272 169</b>	<b>2 928 697</b>
<b>42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 11	1 924 743	2 755 501
Used to finance property, plant and equipment - at cost	(1 924 743)	(2 755 501)
	-	-
Cash set aside for the repayment of long-term liabilities		
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management		

	2018 R	2017 R
<b>43. BUDGET INFORMATIONB5690:R5734B570B5690:Z5999</b>		
<b>43.1 Explanation of variances between approved and final budget amounts</b>		
The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.		
<b>Explanation of variances greater than 5%: Final Budget and Actual Amounts</b>		
<b>43.2 Statement of Financial Position</b>		
<b>43.2.1 Current Assets</b>		
Cash		
<i>Increase in cash in bank account.</i>		
Call Investment Deposits		
<i>Decrease in call investments.</i>		
Consumer Debtors		
<i>Increase in provision of debt impairment.</i>		
Other Debtors		
<i>Increase in VAT Receivable.</i>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Trade and Other Payables

*Increase in payables*

**43.2.4 Non-Current Liabilities**

Borrowing

*New finance lease taken-up in prior year.*

**43.2.5 Net Assets**

Accumulated Surplus/(Deficit)

*Document reasons*

Reserves

*Document reasons*

**Statement of Financial Performance**

**43.2.6 Revenue**

Service Charges - Water Revenue

*Ongoing water drought.*

Service Charges - Sanitation Revenue

*Ongoing water drought.*

Service Charges - Refuse Revenue

*Decrease in request of refuse removal.*

Rental of Facilities and Equipment

*Increase in rental income.*

Interest Earned - External Investments

*More funds on call deposits than budgeted for.*

Interest Earned - Outstanding Debtors

*Non-payment of consumer accounts.*

Fines

*Increase in fines received.*

Licences and Permits

*Agency Services not transferred to SA Post Office*

Transfers Recognised - Operational

*Document reasons*

Other Revenue

*Discount received from Auditor-General.*

Transfers Recognised - Capital

*Grant funding not spent during the year.*



**43.2.7 Expenditure**

Employee Related Costs

*No filling of vacant posts.*

Remuneration of Councillors

*Councillors appointed to council of district municipality.*

Debt Impairment

*Non-payment of consumers*

Depreciation and Asset Impairment

*Document reasons*

Finance Charges

*Interest paid to suppliers.*

Other Materials

*Reclassification as a result of mSCOA implementation.*

Contracted Services

*Reclassification as a result of mSCOA implementation.*

**Cash Flow Statement**

**43.2.8 Net Cash from Operating Activities**

Taxation

*Decrease in payments from consumers.*

Service Charges

*Decrease in payments from consumers.*

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Interest

*Lower cash levels than expected*

Dividends

*Document reasons*

Suppliers and Employees

*Increase in Payables*

Finance costs

*Increase in interest paid to suppliers.*

**43.2.9 Net Cash from Investing Activities**

Proceeds on disposal of PPE

*Vacant plots not sold during the year.*

Decrease/(Increase) in Non-Current Debtors

*Document reasons*

Decrease/(Increase) in Other Non-Current Receivables

*Document reasons*

Decrease/(Increase) in Non-Current Investments

*Document reasons*

Capital Assets

*Capital projects not completed during the year.*

**43.2.10 Net Cash from Financing Activities**

Short Term Loans

*Document reasons*

Borrowing long term/refinancing

*Document reasons*

Increase/(Decrease) in Consumer Deposits

*New consumer accounts*

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
44	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
44.1	<b><u>Unauthorised expenditure</u></b>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	209 387 903	118 490 058
	Unauthorised expenditure current year - operational	5 741 106	22 825 205
	Unauthorised expenditure current year - capital	-	68 072 640
	Approved by Council or condoned		-
	Transfer to receivables for recovery		-
	Unauthorised expenditure awaiting authorisation	<b>215 129 009</b>	<b>209 387 903</b>
		<b>2018 R</b>	<b>2017 R</b>

Unauthorised expenditure can be summarised as follow:

Incident		Disciplinary steps/criminal proceedings		
Over expenditure of approved budget - 2010		To be condoned by Council	29 684	29 684
Over expenditure of approved budget - 2011		To be condoned by Council	28 371 069	28 371 069
Over expenditure of approved budget - 2012		To be condoned by Council	16 738 583	16 738 583
Over expenditure of approved budget - 2013		To be condoned by Council	25 203 509	25 203 509
Over expenditure of approved budget - 2014		To be condoned by Council	18 978 632	18 978 632
Bank Shortages - 2011		None	28 274	28 274
Fraud Vehicle Registration - 2011		None	78 504	78 504
Withdrawal by former CFO, EB Toontjies - 2011		None	6 800	6 800
Over expenditure of approved budget - 2015		None	18 055 902	18 055 902
Over expenditure of approved budget - 2016		None	10 999 101	10 999 101
Over expenditure of approved budget - 2017		None	90 897 844	90 897 844
Over expenditure of approved budget - 2018		None	5 741 106	-
			<b>215 129 008</b>	<b>209 387 902</b>

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
<b><u>Unauthorised expenditure current year - operating</u></b>				
Executive and Council	5 374 101	5 817 000	(442 899)	-
Finance and Administration	34 404 426	32 274 000	2 130 426	2 130 426
Community and Social Services	708 060	1 298 000	(589 940)	-
Sport and Recreation	275 730	172 000	103 730	103 730
Waste Management	5 315 121	4 091 000	1 224 121	1 224 121
Water	3 051 800	3 303 000	(251 200)	-
Electricity	10 570 305	11 861 000	(1 290 695)	-
Economic and Social Development	3 125 148	2 266 000	859 148	859 148
Technical and Roads	3 911 680	2 488 000	1 423 680	1 423 680
Waste Water Management	-	-	-	-
	<b>66 736 372</b>	<b>63 570 000</b>	<b>3 166 372</b>	<b>5 741 106</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
<b><u>Unauthorised expenditure current year - capital</u></b>				
Executive and Council	-	-	-	-
Finance and Administration	-	-	-	-
Community and Social Services	-	-	-	-
Sport and Recreation	-	-	-	-
Waste Management	-	-	-	-
Water	17 968 874	20 984 000	(20 984 000)	-
Electricity	-	288 000	(288 000)	-
Economic and Social Development	-	1 000 000	(1 000 000)	-
Technical and Roads	-	3 400 000	(3 400 000)	-
Waste Water Management	-	-	-	-
	<u>17 968 874</u>	<u>25 672 000</u>	<u>(25 672 000)</u>	<u>-</u>
			<b>2018 R</b>	<b>2017 R</b>

**44.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	6 597 399	4 592 537
Fruitless and wasteful expenditure current year	1 611 805	2 004 862
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<u><b>8 209 204</b></u>	<u><b>6 597 399</b></u>

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Legal Cost (Hondeklipbaai Stands) - 2011	None	199 191	199 191
Interest on late payment - Various Creditors - 2011	None	417 306	417 306
Interest on late payment - Various Creditors - 2012	None	172 301	172 301
Interest on late payment - Various Creditors - 2014	None	255 946	255 946
Interest on late payment - Various Creditors - 2015	None	537 535	537 535
Salary paid to employee J Links after he was dismissed	None	8 417	8 417
Interest and penalties paid to SARS - 2014	None	204 546	204 546
Interest and penalties paid to SARS - 2015	None	353 136	353 136
Interest and penalties paid to SARS - 2017	None	286 069	286 069
Interest paid to various suppliers - 2016	None	2 444 160	2 444 160
Interest paid to various suppliers - 2017	None	1 718 792	1 718 792
Interest on late payment 2017/18	None	1 611 805	-
		<u><b>8 209 204</b></u>	<u><b>6 597 399</b></u>

**44.3 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	14 609 820	13 491 075
Irregular expenditure current year	1 801 171	1 118 745
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	<u><b>16 410 991</b></u>	<u><b>14 609 820</b></u>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
Irregular expenditure can be summarised as follow:			
Incident	Disciplinary steps/criminal proceedings		
Expenditure contrary to SCM Processes - 2010	None	3 715 210	3 715 210
Expenditure contrary to SCM Processes - 2012	None	2 661 945	2 661 945
Expenditure contrary to SCM Processes - 2017	None	1 118 745	1 118 745
Preference point system not used for bids between R30 000 and R200 000	None	1 935 162	1 935 162
Tax Reference numbers not obtained for transactions between R10 000 - R30 000	None	1 349 975	1 349 975
No declaration of interest forms (MBD4)	None	55 979	55 979
Expenditure contrary to SCM Processes - 2016	None	233 100	233 100
Grants used for operating purposes - 2016	None	3 539 704	3 539 704
Expenditure contrary to SCM Processes - 2018	None	1 801 171	-
		<u>16 410 991</u>	<u>14 609 820</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

	2018 R	2017 R
<b>45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)</b>		
Opening balance	2 061 559	2 440 648
Council subscriptions	505 857	5 857
Amount paid - current year	(184 946)	(384 946)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u><b>2 382 470</b></u>	<u><b>2 061 559</b></u>
<b>45.2 Audit fees - [MFMA 125 (1)(c)]</b>		
Opening balance	6 301 691	7 152 100
Current year audit fee	3 543 689	3 018 566
External Audit - Auditor-General	3 024 920	2 400 386
Audit Committee	518 769	618 179
Amount paid - current year	(55 337)	(200 000)
Amount paid - previous year	-	-
Credit note	(7 200 622)	(3 668 975)
<b>Balance unpaid (included in creditors)</b>	<u><b>2 589 421</b></u>	<u><b>6 301 691</b></u>
<b>45.3 VAT - [MFMA 125 (1)(c)]</b>		

VAT is payable on the payment basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. The net of VAT Input Payables and VAT Output Receivables are shown in Note 18.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>45.4 PAYE and UIF - [MFMA 125 (1)(c)]</b>		
Opening balance	428 705	4 985 306
Current year payroll deductions	3 053 630	2 479 449
Amount paid - current year	(1 178 258)	(7 036 050)
<b>Balance unpaid (included in creditors)</b>	<b>2 304 077</b>	<b>428 705</b>

	2018 R	2017 R
<b>45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Opening balance	1 533 255	1 952 431
Current year payroll deductions and Council Contributions	4 289 943	4 117 987
Amount paid - current year	(2 134 448)	(2 584 732)
Amount paid - previous year	(1 229 345)	(1 952 431)
<b>Balance unpaid (included in creditors)</b>	<b>2 459 405</b>	<b>1 533 255</b>

**45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:

**Outstanding  
more than 90  
days**

Dawid & M Rooi	15 308
Hendrik Steenkamp	1 864

**45.7 Disclosures in terms of the Municipal Supply Chain Management Regulations -  
Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	<u>Type of Deviation</u>				
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	332 362	46 458	285 905	-	-
August	212 489	166 521	45 968	-	-
September	76 562	58 159	18 403	-	-
October	139 116	56 990	33 648	-	48 477
November	139 185	65 930	73 255	-	-
December	251 754	66 462	97 248	-	88 044
January	62 905	61 500	1 405	-	-
February	126 319	59 070	4 057	-	63 192
March	200 973	58 543	64 112	-	78 318
April	74 831	64 924	9 907	-	-
May	114 697	60 000	54 697	-	-
June	69 979	69 980	-	-	-
	<b>1 801 171</b>	<b>834 537</b>	<b>688 604</b>	<b>-</b>	<b>278 031</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<b>45.8    <u>Material losses</u></b>		
<b>Electricity distribution losses</b>		
Units purchased (Kwh)	4 479 527	6 080 838
Units lost during distribution (Kwh)	1 061 837	621 840
Percentage lost during distribution	23.70%	10.23%
Distribution loss (Rand Value)	1 337 915	1 761 300

*The reason for the increase in electricity losses is due to electricity theft on pre-paid meters. Fines were issued for first time offenders.*

**Water distribution losses**

Units purchased (ml)	216 901	206 339
Units lost during distribution (ml)	34 958	14 414
Percentage lost during distribution	16.12%	6.99%
Distribution loss (Rand Value)	403 415	146 715

*Normal pipe bursts and field leakages are responsible for water losses.*

**46.    FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price Risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The municipality did not hedge against any interest rate risks during the current year.

	2018 R	2017 R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
1% (2017: 1%) Increase in interest rates	49 281	52 276
1% (2017: 1%) Decrease in interest rates	(49 281)	(52 276)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 8 and 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	100.00%	25 000 571	100.00%	19 296 045
<u>Exchange Receivables</u>				
Electricity	11.11%	5 446 987	13.69%	5 928 080
Water	34.46%	16 891 518	31.71%	13 732 227
Waste Management	14.44%	7 079 271	13.86%	6 002 613
Waste Water Management	7.67%	3 760 361	7.31%	3 165 677
Other	32.31%	15 837 234	33.44%	14 480 811
	100.00%	49 015 371	100.00%	43 309 408

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 8 and 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Current Receivables</u>				
Repay Arrangements	0.00%	-	0.00%	-
<u>Non-exchange Receivables</u>				
Rates	34.33%	22 952 461	28.57%	14 599 523
<u>Exchange Receivables</u>				
Services	65.67%	43 912 353	71.43%	36 509 756
	100.00%	66 864 815	100.00%	51 109 279

Ageing of amounts past due but not impaired are as follow:

**2018**

1 month past due	852 431	291 894
2+ months past due	3 202 658	1 437 480
	<u>4 055 089</u>	<u>1 729 374</u>

**2017**

1 month past due	828 075	264 659
2+ months past due	4 848 412	3 803 796
	<u>5 676 487</u>	<u>4 068 455</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	49 015 371	43 309 408
Receivables from non-exchange transactions	25 157 321	19 452 794
Cash and Cash Equivalents	6 852 807	7 983 074
	<u>81 025 498</u>	<u>70 745 276</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**(e) Liquidity Risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2018</b>				
Long-term Liabilities	1 099 367	1 096 885	-	-
Trade and Other Payables	27 295 708	-	-	-
	<u>28 395 075</u>	<u>1 096 885</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2017</b>				
Long-term Liabilities	1 106 490	2 196 252	-	-
Trade and Other Payables	25 624 818	-	-	-
	<u>26 731 308</u>	<u>2 196 252</u>	<u>-</u>	<u>-</u>
			<b>2018 R</b>	<b>2017 R</b>

**47. FINANCIAL INSTRUMENTS**

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

**47.1 Financial Assets****Classification****Receivables from Exchange Transactions**

Electricity	Financial Instruments at amortised cost	5 446 987	5 928 080
Water	Financial Instruments at amortised cost	16 891 518	13 732 227
Waste Management	Financial Instruments at amortised cost	7 079 271	6 002 613
Waste Water Management	Financial Instruments at amortised cost	3 760 361	3 165 677
Other Arrears	Financial Instruments at amortised cost	15 837 234	14 480 811

**Cash and Cash Equivalents**

Bank Balances	Financial Instruments at amortised cost	636 241	387 420
Call Deposits	Financial Instruments at amortised cost	6 216 565	7 595 653

**Total Financial Assets****55 868 178****51 292 482****SUMMARY OF FINANCIAL ASSETS****Financial Instruments at amortised cost:**

Receivables from Exchange Transactions	Electricity	5 446 987	5 928 080
Receivables from Exchange Transactions	Water	16 891 518	13 732 227
Receivables from Exchange Transactions	Waste Management	7 079 271	6 002 613
Receivables from Exchange Transactions	Waste Water Management	3 760 361	3 165 677
Receivables from Exchange Transactions	Other Arrears	15 837 234	14 480 811
Cash and Cash Equivalents	Bank Balances	636 241	387 420
Cash and Cash Equivalents	Call Deposits	6 216 565	7 595 653

**Total Financial Assets****55 868 178****51 292 482**

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
<b>47.2</b>	<b><u>Financial Liabilities</u></b>		
	<b><u>Classification</u></b>		
	<b>Long-term Liabilities</b>		
	Capitalised Lease Liability	1 924 743	2 755 501
	<b>Trade and Other Payables</b>		
	Trade Payables	19 622 578	20 718 868
	Accrued Interest	-	-
	Advance Payments	1 006 074	964 156
	Control, Clearing and Interface Accounts	6 248 419	3 648 157
	Other Payables	-	-
	Retentions	418 637	418 637
	<b>Cash and Cash Equivalents</b>		
	Bank Overdraft	-	-
		<b>29 220 451</b>	<b>28 505 319</b>
	<b>SUMMARY OF FINANCIAL LIABILITIES</b>		
	<b>Financial instruments at amortised cost:</b>		
	Long-term Liabilities	1 924 743	2 755 501
	Trade and Other Payables	19 622 578	20 718 868
	Trade and Other Payables	1 006 074	964 156
	Trade and Other Payables	6 248 419	3 648 157
	Trade and Other Payables	418 637	418 637
	Cash and Cash Equivalents	-	-
		<b>29 220 451</b>	<b>28 505 319</b>
<b>48.</b>	<b>STATUTORY RECEIVABLES</b>		
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	<b>Taxes</b>		
	VAT Receivable	1 350 498	1 622 081
	<b>Receivables from Non-Exchange Transactions</b>	25 000 571	19 296 045
	Rates	25 000 571	19 296 045
	Fines	-	-
	<b>Total Statutory Receivables (before provision)</b>	<b>26 351 069</b>	<b>20 918 126</b>
	<b>Less:</b> Provision for Debt Impairment	(22 952 461)	(14 599 523)
	<b>Total Statutory Receivables (after provision)</b>	<b>3 398 608</b>	<b>6 318 603</b>
	<b><u>Reconciliation of Provision for Debt Impairment</u></b>		
	Balance at beginning of year	14 599 523	12 476 453
	Contribution to provision	8 352 938	2 123 070
	Reversal of provision	-	-
	Balance at end of year	<b>22 952 461</b>	<b>14 599 523</b>
	<b><u>Ageing of amounts past due but not impaired:</u></b>		
	1 month past due	291 894	264 659
	2+ months past due	1 437 480	3 803 796
		<b>1 729 374</b>	<b>4 068 455</b>
<b>49.</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**50. CONTINGENT LIABILITY**

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

**51. RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**51.1 Related Party Transactions**

	<b>Rates</b>	<b>Service Charges</b>	<b>Other</b>	<b>Outstanding Balance</b>
<b>Year ended 30 June 2018</b>				
Councillors				
Mervin J Cloete	7 837	10 170	-	1 256
Susarah Nero	-	1 862	-	147
Charlton C Kordom	1	2 678	-	42
Leonard E Petersen	1 346	1 996	-	171
Dawid & M Rooi	5 626	9 454	-	18 533
Hendrik Steenkamp	-	1 576	-	1 864
	<b>14 810</b>	<b>27 736</b>	<b>-</b>	<b>22 013</b>
Municipal Manager and Section 57 Employees				
Rufus C Beukes	-	7 388	-	-
Joseph G Cloete	-	4 236	-	-
Frederick Links	1 207	3 479	-	43
	<b>1 207</b>	<b>15 103</b>	<b>-</b>	<b>43</b>
	<b>Rates</b>	<b>Service Charges</b>	<b>Other</b>	<b>Outstanding Balance</b>
<b>Year ended 30 June 2017</b>				
Councillors				
Mervin J Cloete	7 365	21 504	-	1 436
Susarah Nero	-	1 646	-	273
Charlton C Kordom	1	1 852	-	1 863
Leonard E Petersen	1 265	1 841	-	126
Ronald Adams	-	1 775	-	14 896
Dawid & M Rooi	4 803	70 937	-	42 953
	<b>13 435</b>	<b>99 554</b>	<b>-</b>	<b>61 546</b>
Municipal Manager and Section 57 Employees				
Joseph G Cloete		10 804	-	1 101
Frederick Links	1 135	5 850	-	510
	<b>1 135</b>	<b>16 654</b>	<b>-</b>	<b>1 611</b>

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**51.2 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**51.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

**52. FINANCIAL SUSTAINABILITY**

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Kamiesberg Municipality's going concern.

Unless sustainable job creation is achieved, Kamiesberg Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The municipality is experience difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R16 790 446 (2017: R12 141 856).

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis. In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**KAMIESBERG MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2017	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018
<b>LEASE LIABILITY</b>								
Nashua	14.00%	Various		738 739	-	-	(176 254)	562 485
Nashua Mobile	10.00%	Various		17 985	-	-	(12 054)	5 931
Bidvest	10.00%	Various		1 998 777	-	-	(642 450)	1 356 327
<b>Total Lease Liabilities</b>				2 755 501	-	-	(830 758)	1 924 743
<b>TOTAL EXTERNAL LOANS</b>				2 755 501	-	-	(830 758)	1 924 743

**APPENDIX B**  
**KAMIESBERG MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
			<b>Governance and Administration</b>			
(1 929 693)	(4 530 539)	(6 460 232)	Executive and council	14 445	(5 374 101)	(5 359 656)
128 528 777	(12 034 739)	116 494 037	Finance and administration	54 894 282	(55 850 495)	(956 213)
4 546 009	(14 958 594)	(10 412 585)	Internal audit	-	-	-
			<b>Community and Public Safety</b>			
552 985	(90 405)	462 579	Community and social services	2 183	(1 000 253)	(998 070)
144 525	(162 127)	(17 602)	Sport and recreation	5 078	(275 730)	(270 653)
-	-	-	Public safety	-	-	-
-	-	-	Housing	-	-	-
-	-	-	Health	-	-	-
			<b>Economic and Environmental Services</b>			
132 976	(1 660 238)	(1 527 262)	Planning and development	150 061	(3 361 618)	(3 211 556)
478 811	(3 248 629)	(2 769 818)	Road transport	384 593	(14 772 574)	(14 387 980)
-	-	-	Environmental protection	-	-	-
			<b>Trading Services</b>			
7 523 258	(26 154 807)	(18 631 549)	Energy sources	8 923 763	(10 570 305)	(1 646 542)
4 932 660	(2 759 730)	2 172 930	Water management	11 026 905	(3 051 800)	7 975 106
1 631 673	-	1 631 673	Waste water management	1 569 847	(115 052)	1 454 794
2 438 387	(4 898 905)	(2 460 517)	Waste management	1 638 375	(5 200 061)	(3 561 686)
-	-	-	<b>Other</b>	-	-	-
148 980 367	(70 498 712)	78 481 654	<b>Sub Total</b>	78 609 532	(99 571 989)	(20 962 456)
-	-	-	<b>Less Inter-Departmental Charges</b>	-	-	-
148 980 367	(70 498 712)	78 481 654	<b>Total</b>	78 609 532	(99 571 989)	(20 962 456)

**APPENDIX C**  
**KAMIESBERG MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
(1 929 693)	(1 365 785)	(3 295 478)	<b>EXECUTIVE COUNCIL</b>	(3 271 881)	(1 615 801)	(4 887 682)
-	(3 164 754)	(3 164 754)	Municipal Manager	14 445	(3 758 300)	(3 743 855)
			Councillors			
			<b>FINANCE AND ADMINISTRATION</b>			
128 528 777	(11 909 739)	116 619 037	Finance	46 508 419	(13 522 286)	32 986 133
4 678 985	(14 958 594)	(10 279 609)	Administration	8 473 221	(41 887 065)	(33 413 843)
546 571	(90 405)	456 166	Commonage	-	-	-
			<b>COMMUNITY AND SOCIAL SERVICES</b>			
5 315	-	5 315	Cemeteries	-	(61 472)	(61 472)
1 098	-	1 098	Libraries	2 183	(646 588)	(644 405)
			<b>SPORT AND RECREATION</b>			
137 635	(162 127)	(24 492)	Sportgrounds and Community Facilities	-	(275 730)	(275 730)
6 890	-	6 890	Caravan Park	5 078	-	5 078
			<b>WASTE MANAGEMENT</b>			
2 438 387	(4 898 905)	(2 460 517)	Refuse and Sanitation	2 526 807	(5 315 121)	(2 788 314)
			<b>WATER</b>			
4 932 660	(2 759 730)	2 172 930	Water	12 009 311	(3 051 800)	8 957 511
			<b>ELECTRICITY</b>			
7 523 258	(26 154 807)	(18 631 549)	Electricity	10 034 700	(10 570 305)	(535 605)
			<b>ECONOMIC AND SOCIAL DEVELOPMENT</b>			
-	(1 660 238)	(1 660 238)	Local Economic Development	62 697	(3 361 618)	(3 298 921)
			<b>TECHNICAL AND ROADS</b>			
478 811	(3 248 629)	(2 769 818)	Streets	384 593	(15 505 911)	(15 121 318)
			<b>WASTE WATER MANAGEMENT</b>			
1 631 673	-	1 631 673	Sewerage	1 859 961	-	1 859 961
148 980 367	(70 373 712)	78 606 654	Sub Total	78 609 534	(99 571 997)	(20 962 463)
-	-	-	Less Inter-Departmental Charges	-	-	-
148 980 367	(70 373 712)	78 606 654	<b>Total</b>	78 609 534	(99 571 997)	(20 962 463)



**APPENDIX E**  
**KAMIESBERG MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2017	Correction of Error	Restated Balance 30 June 2017	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
<b><u>National Government Grants</u></b>										
Equitable Share	-	-	-	19 362 000	-	(19 362 000)	-	-	-	-
Finance Management Grant	-	-	-	2 345 000	-	(2 345 000)	-	-	-	-
Municipal Infrastructure Grant	238 127	-	238 127	13 101 000	(238 000)	-	(13 101 127)	-	-	-
<b>Total National Government Grants</b>	<b>238 127</b>	<b>-</b>	<b>238 127</b>	<b>34 808 000</b>	<b>(238 000)</b>	<b>(21 707 000)</b>	<b>(13 101 127)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Provincial Government Grants</u></b>										
Expanded Public Works Programme	1 377 311	-	1 377 311	1 000 000	(1 000 000)	(728 000)	(649 311)	-	-	-
Department Water Affairs and Environment	141 362	-	141 362	4 000 000	-	-	(3 994 526)	146 837	146 837	-
Library	2 261 094	-	2 261 094	791 000	-	(919 487)	-	2 132 607	2 132 607	-
Project Nala	620 180	-	620 180	-	-	-	-	620 180	620 180	-
Department Finance, Economic Development & Tourism	100 000	-	100 000	-	-	-	-	100 000	100 000	-
Department Social Services	482	-	482	-	-	-	-	482	482	-
Department Sport, Arts and Culture	6 262	-	6 262	-	-	-	-	6 262	6 262	-
Drought Relief	24 409	-	24 409	3 968 000	-	-	(2 526 188)	1 466 220	1 466 220	-
<b>Total Provincial Government Grants</b>	<b>4 531 100</b>	<b>-</b>	<b>4 531 100</b>	<b>9 759 000</b>	<b>(1 000 000)</b>	<b>(1 647 487)</b>	<b>(7 170 025)</b>	<b>4 472 588</b>	<b>4 472 588</b>	<b>-</b>
<b><u>District Municipality</u></b>										
Namakwa DM	285 149	-	285 149	622 486	-	(622 486)	-	285 149	285 149	-
<b>Total District Municipality Grants</b>	<b>285 149</b>	<b>-</b>	<b>285 149</b>	<b>622 486</b>	<b>-</b>	<b>(622 486)</b>	<b>-</b>	<b>285 149</b>	<b>285 149</b>	<b>-</b>
<b>Total Grants</b>	<b>5 054 376</b>	<b>-</b>	<b>5 054 376</b>	<b>45 189 486</b>	<b>(1 238 000)</b>	<b>(23 976 973)</b>	<b>(20 271 152)</b>	<b>4 757 737</b>	<b>4 757 737</b>	<b>-</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

## MUN - Reconciliation of Table A1 Budget Summary

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28 )	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
<b>Financial Performance</b>												
Property rates	8 237	(329)	7 907	7 650		258	96.7%	92.9%				4 078
Service charges	14 383	1 261	15 644	13 489		2 155	86.2%	93.8%				16 120
Investment revenue	799	0	799	946		(146)	118.3%	118.4%				388
Transfers recognised - operational	23 498	(1 000)	22 498	23 322		(823)	103.7%	99.2%				20 059
Other own revenue	5 303	155	5 458	13 163		(7 705)	241.2%	248.2%				3 233
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>52 220</b>	<b>87</b>	<b>52 307</b>	<b>58 569</b>	<b>-</b>	<b>(6 261)</b>	<b>112.0%</b>	<b>112.2%</b>				<b>43 878</b>
Employee costs	25 014	751	25 765	21 367	-	4 398	82.9%	85.4%	-	-	-	19 172
Remuneration of councillors	2 387	518	2 905	2 410	-	495	83.0%	101.0%	-	-	-	2 214
Debt impairment	4 343	-	4 343	15 644	-	(11 301)	360.2%	360.2%	-	-	-	9 389
Depreciation & asset impairment	8 923	-	8 923	33 170	-	(24 247)	371.7%	371.7%	-	-	-	3 510
Finance charges	172	27	199	2 966	-	(2 768)	1493.8%	1728.4%	-	-	-	2 449
Materials and bulk purchases	14 035	(1 712)	12 323	10 850	-	1 473	88.0%	77.3%	-	-	-	11 377
Transfers and grants	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Other expenditure	8 388	724	9 112	13 122	-	(4 010)	144.0%	156.4%	-	-	-	9 383
<b>Total Expenditure</b>	<b>63 261</b>	<b>308</b>	<b>63 569</b>	<b>99 530</b>	<b>-</b>	<b>(35 961)</b>	<b>156.6%</b>	<b>157.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57 494</b>
<b>Surplus/(Deficit)</b>	<b>(11 041)</b>	<b>(221)</b>	<b>(11 262)</b>	<b>(40 961)</b>	<b>-</b>	<b>29 700</b>	<b>363.7%</b>	<b>371.0%</b>				<b>(13 616)</b>
Transfers recognised - capital	11 601	14 071	25 672	19 999	-	5 673	77.9%	172.4%				6 586
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	#DIV/0!	#DIV/0!				-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>560</b>	<b>13 850</b>	<b>14 410</b>	<b>(20 962)</b>	<b>-</b>	<b>35 373</b>	<b>-145.5%</b>	<b>-3744.4%</b>				<b>(7 029)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	#DIV/0!	#DIV/0!				-
<b>Surplus/(Deficit) for the year</b>	<b>560</b>	<b>13 850</b>	<b>14 410</b>	<b>(20 962)</b>	<b>-</b>	<b>35 373</b>	<b>-145.5%</b>	<b>-3744.4%</b>				<b>(7 029)</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital	11 601	10 968	22 569	20 271		2 298	89.8%	174.7%				6 586
Public contributions & donations	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Borrowing	-	-	-	-		-	#DIV/0!	#DIV/0!				77
Internally generated funds	-	3 103	3 103	(20 271)		23 374	-653.3%	#DIV/0!				388
<b>Total sources of capital funds</b>	<b>11 601</b>	<b>14 071</b>	<b>25 672</b>	<b>-</b>	<b>-</b>	<b>25 672</b>	<b>0.0%</b>	<b>0.0%</b>				<b>7 052</b>
<b>Cash flows</b>												
Net cash from (used) operating	51	22 530	22 581	18 215		4 366	80.7%	35552.1%				11 034
Net cash from (used) investing	-	(20 131)	(20 131)	(18 537)		(1 594)	92.1%	#DIV/0!				(5 978)
Net cash from (used) financing	-	(831)	(831)	(809)		(22)	97.3%	#DIV/0!				1
<b>Cash/cash equivalents at the year end</b>	<b>51</b>	<b>9 551</b>	<b>9 602</b>	<b>6 853</b>		<b>2 749</b>	<b>71.4%</b>	<b>13375.0%</b>				<b>6 588</b>

## MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<i>Governance and administration</i>	45 923	(175)	45 748	54 909		(9 161)	120.0%	119.6%				131 145
Executive and council	-	-	-	14		(14)	#DIV/0!	#DIV/0!				(1 930)
Finance and administration	45 923	(175)	45 748	54 894		(9 146)	120.0%	119.5%				128 529
Internal audit	-	-	-	-		-	#DIV/0!	#DIV/0!				4 546
<i>Community and public safety</i>	805	500	1 305	7		1 298	0.6%	0.9%				698
Community and social services	792	500	1 292	2		1 290	0.2%	0.3%				553
Sport and recreation	12	-	12	5		7	40.7%	40.7%				145
Public safety	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Housing	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Health	-	-	-	-		-	#DIV/0!	#DIV/0!				-
<i>Economic and environmental services</i>	1 011	2 800	3 811	535		3 276	14.0%	52.9%				612
Planning and development	1 000	(500)	500	150		350	30.0%	15.0%				133
Road transport	11	3 300	3 311	385		2 926	11.6%	3496.3%				479
Environmental protection	-	-	-	-		-	#DIV/0!	#DIV/0!				-
<i>Trading services</i>	16 082	10 933	27 015	23 159		3 856	85.7%	144.0%				16 526
Electricity	7 970	308	8 278	8 924		(646)	107.8%	112.0%				7 523
Water	4 470	9 954	14 424	11 027		3 397	76.4%	246.7%				4 933
Waste water management	1 650	146	1 796	1 570		226	87.4%	95.1%				1 632
Waste management	1 992	525	2 517	1 638		879	65.1%	82.2%				2 438
<i>Other</i>	-	-	-	-		-	#DIV/0!	#DIV/0!				-
<b>Total Revenue - Standard</b>	<b>63 821</b>	<b>14 058</b>	<b>77 879</b>	<b>78 610</b>		<b>(731)</b>	<b>100.9%</b>	<b>123.2%</b>				<b>148 980</b>

## MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Expenditure - Standard</b>												
<i>Governance and administration</i>	35 202	2 019	37 221	61 225	-	(24 004)	164.5%	173.9%	-	-	-	31 524
Executive and council	5 200	617	5 817	5 374	-	443	92.4%	103.3%	-	-	-	4 531
Finance and administration	30 002	1 402	31 404	55 850	-	(24 446)	177.8%	186.2%	-	-	-	12 035
Internal audit	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	14 959
<i>Community and public safety</i>	2 339	-	2 339	1 276	-	1 063	54.6%	54.6%	-	-	-	253
Community and social services	2 339	-	2 339	1 000	-	1 339	42.8%	42.8%	-	-	-	90
Sport and recreation	-	-	-	276	-	(276)	#DIV/0!	#DIV/0!	-	-	-	162
Public safety	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Housing	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Health	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<i>Economic and environmental services</i>	4 754	-	4 754	18 134	-	(13 380)	381.5%	381.5%	-	-	-	4 909
Planning and development	2 266	-	2 266	3 362	-	(1 096)	148.4%	148.4%	-	-	-	1 660
Road transport	2 488	-	2 488	14 773	-	(12 285)	593.8%	593.8%	-	-	-	3 249
Environmental protection	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<i>Trading services</i>	20 966	(1 711)	19 255	18 937	-	318	98.3%	90.3%	-	-	-	33 813
Electricity	13 572	(1 711)	11 861	10 570	-	1 291	89.1%	77.9%	-	-	-	26 155
Water	3 303	-	3 303	3 052	-	251	92.4%	92.4%	-	-	-	2 760
Waste water management	85	-	85	115	-	(30)	135.4%	135.4%	-	-	-	-
Waste management	4 006	-	4 006	5 200	-	(1 194)	129.8%	129.8%	-	-	-	4 899
<i>Other</i>	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>63 261</b>	<b>308</b>	<b>63 569</b>	<b>99 572</b>	<b>-</b>	<b>(36 003)</b>	<b>156.6%</b>	<b>157.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70 499</b>
<b>Surplus/(Deficit) for the year</b>	<b>560</b>	<b>13 750</b>	<b>14 310</b>	<b>(20 962)</b>	<b>-</b>	<b>35 272</b>	<b>-146.5%</b>	<b>-3743.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78 482</b>

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MUN - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description  R thousand	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - EXECUTIVE COUNCIL	(1 919)	–	(1 919)	(3 257)		1 338	169.7%	169.7%				(1 930)
Vote 2 - FINANCE AND ADMINISTRATION	46 714	(175)	46 539	54 982		(8 443)	118.1%	117.7%				133 754
Vote 3 - COMMUNITY AND SOCIAL SERVICES	1	500	501	2		499	0.4%	218.3%				6
Vote 4 - SPORT AND RECREATION	12	–	12	5		7	42.3%	42.3%				145
Vote 5 - WASTE MANAGEMENT	2 611	525	3 136	2 527		609	80.6%	96.8%				2 438
Vote 6 - WATER	5 042	9 954	14 996	12 009		2 987	80.1%	238.2%				4 933
Vote 7 - ELECTRICITY	8 649	308	8 957	10 035		(1 078)	112.0%	116.0%				7 523
Vote 8 - ECONOMIC AND SOCIAL DEVELOPMENT	1 000	(500)	500	63		437	12.5%	6.3%				–
Vote 9 - TECHNICALAND ROADS	11	3 300	3 311	385		2 926	11.6%	3496.3%				479
Vote 10 - WASTE WATER MANAGEMENT	1 701	146	1 847	1 860		(13)	100.7%	109.3%				1 632
<b>Total Revenue by Vote</b>	<b>63 822</b>	<b>14 058</b>	<b>77 880</b>	<b>78 610</b>		<b>(730)</b>	<b>100.9%</b>	<b>123.2%</b>				<b>148 980</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - EXECUTIVE COUNCIL	5 200	617	5 817	5 374	–	443	92.4%	103.3%	–	–	–	4 531
Vote 2 - FINANCE AND ADMINISTRATION	30 872	1 402	32 274	55 409	–	(23 135)	171.7%	179.5%	–	–	–	26 959
Vote 3 - COMMUNITY AND SOCIAL SERVICES	1 298	–	1 298	708	–	590	54.6%	54.6%	–	–	–	–
Vote 4 - SPORT AND RECREATION	172	–	172	276	–	(104)	160.3%	160.3%	–	–	–	162
Vote 5 - WASTE MANAGEMENT	4 091	–	4 091	5 315	–	(1 224)	129.9%	129.9%	–	–	–	4 899
Vote 6 - WATER	3 303	–	3 303	3 052	–	251	92.4%	92.4%	–	–	–	2 760
Vote 7 - ELECTRICITY	13 572	(1 711)	11 861	10 570	–	1 291	89.1%	77.9%	–	–	–	26 155
Vote 8 - ECONOMIC AND SOCIAL DEVELOPMENT	2 266	–	2 266	3 362	–	(1 096)	148.4%	148.4%	–	–	–	1 660
Vote 9 - TECHNICALAND ROADS	2 488	–	2 488	15 506	–	(13 018)	623.2%	623.2%	–	–	–	3 249
Vote 10 - WASTE WATER MANAGEMENT	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
<b>Total Expenditure by Vote</b>	<b>63 262</b>	<b>308</b>	<b>63 570</b>	<b>99 572</b>	<b>–</b>	<b>(36 002)</b>	<b>156.6%</b>	<b>157.4%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>70 374</b>
<b>Surplus/(Deficit) for the year</b>	<b>560</b>	<b>13 750</b>	<b>14 310</b>	<b>(20 962)</b>	<b>–</b>	<b>35 272</b>	<b>-146.5%</b>	<b>-3743.3%</b>				<b>78 607</b>

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand												
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	8 237	(329)	7 907	7 650	–	258	96.7%	92.9%	–	–	–	5 812
Service charges - electricity revenue	7 571	20	7 591	7 695	–	(104)	101.4%	101.6%	–	–	–	6 450
Service charges - water revenue	3 723	570	4 293	3 091	–	1 202	72.0%	83.0%	–	–	–	3 817
Service charges - sanitation revenue	1 470	145	1 615	1 425	–	190	88.2%	97.0%	–	–	–	1 418
Service charges - refuse revenue	1 621	524	2 145	1 277	–	868	59.6%	78.8%	–	–	–	1 465
Service charges - other	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Rental of facilities and equipment	166	(0)	166	140	–	26	84.2%	84.0%	–	–	–	192
Interest earned - external investments	799	0	799	946	–	(146)	118.3%	118.4%	–	–	–	885
Interest earned - outstanding debtors	4 235	0	4 235	5 400	–	(1 164)	127.5%	127.5%	–	–	–	3 244
Dividends received	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Fines	1	(0)	1	2	–	(1)	219.0%	174.8%	–	–	–	6
Licences and permits	1	0	1	201	–	(200)	20097.2%	30633.2%	–	–	–	152
Agency services	–	–	–	391	–	(391)	#DIV/0!	#DIV/0!	–	–	–	308
Transfers recognised - operational	23 498	(1 000)	22 498	23 322	–	(823)	103.7%	99.2%	–	–	–	123 093
Other revenue	861	155	1 016	7 071	–	(6 055)	696.0%	821.2%	–	–	–	4 394
Gains on disposal of PPE	38	1	38	(42)	–	80	-108.5%	-110.2%	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>52 220</b>	<b>87</b>	<b>52 307</b>	<b>58 569</b>	<b>–</b>	<b>(6 261)</b>	<b>112.0%</b>	<b>112.2%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>151 233</b>
<b>Expenditure By Type</b>												
Employee related costs	25 014	751	25 765	21 367	–	4 398	82.9%	85.4%	–	–	–	20 678
Remuneration of councillors	2 387	518	2 905	2 410	–	495	83.0%	101.0%	–	–	–	2 154
Debt impairment	4 343	–	4 343	15 644	–	(11 301)	360.2%	360.2%	–	–	–	7 676
Depreciation & asset impairment	8 923	–	8 923	33 170	–	(24 247)	371.7%	371.7%	–	–	–	14 807
Finance charges	172	27	199	2 966	–	(2 768)	1493.8%	1728.4%	–	–	–	3 332
Bulk purchases	12 182	(1 767)	10 415	9 334	–	1 081	89.6%	76.6%	–	–	–	10 893
Other materials	1 852	55	1 908	1 516	–	392	79.5%	81.8%	–	–	–	1 390
Contracted services	2 652	390	3 042	6 011	–	(2 969)	197.6%	226.6%	–	–	–	4 701
Transfers and grants	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Other expenditure	5 736	334	6 070	6 378	–	(308)	105.1%	111.2%	–	–	–	4 742
Loss on disposal of PPE	–	–	–	733	–	(733)	#DIV/0!	#DIV/0!	–	–	–	2 253
<b>Total Expenditure</b>	<b>63 261</b>	<b>308</b>	<b>63 569</b>	<b>99 530</b>	<b>–</b>	<b>(35 961)</b>	<b>156.6%</b>	<b>157.3%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>72 627</b>

## MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description  R thousand	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Surplus/(Deficit)	(11 041)	(221)	(11 262)	(40 961)		29 700	363.7%	371.0%				78 607
Transfers recognised - capital	11 601	14 071	25 672	19 999		5 673	77.9%	172.4%				-
Contributions recognised - capital	-	-	-	-		-	#DIV/0!	#DIV/0!				
Contributed assets	-	-	-	-		-	#DIV/0!	#DIV/0!				
Surplus/(Deficit) after capital transfers & contributions	560	13 850	14 410	(20 962)		35 373	-145.5%	-3744.4%				78 607
Taxation	-	-	-	-		-	#DIV/0!	#DIV/0!				
Surplus/(Deficit) after taxation	560	13 850	14 410	(20 962)		35 373	-145.5%	-3744.4%				78 607
Attributable to minorities	-	-	-	-		-	#DIV/0!	#DIV/0!				
Surplus/(Deficit) attributable to municipality	560	13 850	14 410	(20 962)		35 373	-145.5%	-3744.4%				78 607
Share of surplus/ (deficit) of associate	-	-	-	-		-	#DIV/0!	#DIV/0!				
Surplus/(Deficit) for the year	560	13 850	14 410	(20 962)		35 373	-145.5%	-3744.4%				78 607

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description  R thousand	2017/18								2016/17			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<u>Capital expenditure - Vote</u>												
<u>Multi-year expenditure</u>												
Vote 1 - EXECUTIVE COUNCIL	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - COMMUNITY AND SOCIAL SERVICES	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 4 - SPORT AND RECREATION	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 5 - WASTE MANAGEMENT	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 6 - WATER	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 7 - ELECTRICITY	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 8 - ECONOMIC AND SOCIAL DEVELOPMENT	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 9 - TECHNICAL AND ROADS	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 10 - WASTE WATER MANAGEMENT	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<u>Single-year expenditure</u>												
Vote 1 - EXECUTIVE COUNCIL	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - COMMUNITY AND SOCIAL SERVICES	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 4 - SPORT AND RECREATION	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 5 - WASTE MANAGEMENT	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 6 - WATER	11 601	9 383	20 984	-	-	20 984	0%	0%	-	-	-	-
Vote 7 - ELECTRICITY	-	288	288	-	-	288	0%	#DIV/0!	-	-	-	-
Vote 8 - ECONOMIC AND SOCIAL DEVELOPMENT	-	1 000	1 000	-	-	1 000	0%	#DIV/0!	-	-	-	-
Vote 9 - TECHNICAL AND ROADS	-	3 400	3 400	-	-	3 400	0%	#DIV/0!	-	-	-	-
Vote 10 - WASTE WATER MANAGEMENT	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Capital single-year expenditure	11 601	14 071	25 672	-	-	25 672	0%	0%	-	-	-	-
Total Capital Expenditure - Vote	11 601	14 071	25 672	-	-	25 672	0%	0%	-	-	-	-



MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description  R thousand	2017/18								2016/17			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital Expenditure - Standard</b>												
<i>Governance and administration</i>	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	2 654
Executive and council	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	2 358
Finance and administration	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	296
Internal audit	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<i>Community and public safety</i>	-	500	500	-	-	500	0%	#DIV/0!	-	-	-	-
Community and social services	-	500	500	-	-	500	0%	#DIV/0!	-	-	-	-
Sport and recreation	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Public safety	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Housing	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Health	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<i>Economic and environmental services</i>	-	3 900	3 900	-	-	3 900	0%	#DIV/0!	-	-	-	2 464
Planning and development	-	500	500	-	-	500	0%	#DIV/0!	-	-	-	-
Road transport	-	3 400	3 400	-	-	3 400	0%	#DIV/0!	-	-	-	2 464
Environmental protection	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<i>Trading services</i>	11 601	9 671	21 272	-	-	21 272	0%	0%	-	-	-	7 253
Electricity	-	288	288	-	-	288	0%	#DIV/0!	-	-	-	54
Water	11 601	9 383	20 984	-	-	20 984	0%	0%	-	-	-	5 697
Waste water management	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Waste management	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	1 502
<i>Other</i>	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	71
<b>Total Capital Expenditure - Standard</b>	11 601	14 071	25 672	-	-	25 672	0%	0%	-	-	-	12 442
<b>Funded by:</b>												
National Government	11 601	8 968	20 569	13 101	-	7 468	64%	113%	-	-	-	5 697
Provincial Government	-	1 000	1 000	7 170	-	(6 170)	717%	#DIV/0!	-	-	-	2 464
District Municipality	-	1 000	1 000	-	-	1 000	0%	#DIV/0!	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Transfers recognised - capital	11 601	10 968	22 569	20 271	-	2 298	90%	175%	-	-	-	8 161
Public contributions & donations	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	71
Borrowing	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Internally generated funds	-	3 103	3 103	(20 271)	-	23 374	-653%	#DIV/0!	-	-	-	4 210
<b>Total Capital Funding</b>	11 601	14 071	25 672	-	-	25 672	0%	0%	-	-	-	12 442

MUN - Reconciliation of Table A7 Budgeted Cash Flows

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, peanalties and collection charges	8 237	(1 068)	7 169	1 945	5 224	27.1%	23.6%	3 387
Service charges	15 246	(814)	14 432	7 134	7 298	49.4%	46.8%	10 664
Other revenue	1 029	155	1 184	7 868	(6 684)	664.5%	764.6%	35 749
Government - operating	23 498	(1 000)	22 498	24 918	(2 420)	110.8%	106.0%	22 167
Government - capital	-	22 569	22 569	20 271	2 298	89.8%	#DIV/0!	8 406
Interest	5 034	-	5 034	946	4 088	18.8%	18.8%	885
Dividends	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Payments								
Suppliers and employees	(52 821)	2 715	(50 106)	(43 042)	(7 064)	85.9%	81.5%	(61 490)
Finance charges	(172)	(27)	(199)	(1 825)	1 626	917.0%	1060.9%	(1 955)
Transfers and Grants	-	-	-	-	-	#DIV/0!	#DIV/0!	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	51	22 530	22 581	18 215	4 366	80.7%	35552.1%	17 812
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	2 438	2 438	-	2 438	0.0%	#DIV/0!	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Decrease (increase) other non-current receivables	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Decrease (increase) in non-current investments	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Payments								
Capital assets	-	(22 569)	(22 569)	(18 537)	(4 032)	82.1%	#DIV/0!	(10 155)
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	(20 131)	(20 131)	(18 537)	(1 594)	92.1%	#DIV/0!	(10 155)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Borrowing long term/refinancing	-	-	-	-	-	#DIV/0!	#DIV/0!	-
Increase (decrease) in consumer deposits	-	-	-	22	(22)	#DIV/0!	#DIV/0!	106
Payments								
Repayment of borrowing	-	(831)	(831)	(831)	(0)	100.0%	#DIV/0!	(351)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(831)	(831)	(809)	(22)	97.3%	#DIV/0!	(245)
NET INCREASE/ (DECREASE) IN CASH HELD	51	1 568	1 619	(1 130)	2 749	-69.8%	-2206.0%	7 412
Cash/cash equivalents at the year begin:	-	7 983	7 983	7 983	(0)	100.0%	#DIV/0!	571
Cash/cash equivalents at the year end:	51	9 551	9 602	6 853	2 749	71.4%	13375.0%	7 983

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